92-2269

A	APPLE SOUTH INC	10Q	03-31-92
B	AQUASEARCH INC	10Q	04-30-92
C	AUTO-TROL TECHNOLOGY CORP	10Q	03-31-92
D	BOSTON TECHNOLOGY INC	10Q	04-30-92
E	CONOLOG CORP	10Q	01-31-92
F	EUROAMERICAN GROUP INC	10Q	02-29-92
G	FIRST COLONIAL BANKSHARES CORP	10Q	03-31-92
H	FLOYD VALLEY PACKING CO	10Q	03-28-92
I	HARTFORD LIFE INSURANCE CO	10Q	03-31-92
J	HINSDALE FINANCIAL CORP	10Q	03-31-92
K	IRIA CORP	10Q	01-31-92
L	JIMBO'S JUMBOS INC	10Q	01-31-92
M	LNB BANCORP INC	10Q	03-31-92
N	MILLER DIVERSIFIED CORP	10Q	02-29-92
O	MODERN RECORDS INC	10Q	01-31-92
P	SCORE EXPLORATION CORP	10Q	03-31-92
Q	SELECTIVE INSURANCE GROUP INC	10Q	03-31-92
R	SOUTH STANDARD MINING CO	10Q	03-31-92
S	SPINDLETOP OIL & GAS CO	10Q	03-31-92
T	VALASSIS INSERTS INC	10Q	03-31-92
U	VSE CORP	10Q	03-31-92
V	WASHINGTON BANCORP INC	10Q	06-30-92

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the period ended March 31, 1992

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period form ______________ to ______________

Commission File Number: 0-19542

APPLE SOUTH, INC.

(Exact name of registrant as specified in its charter)

Georgia	59-2778983
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Hancock at Washington, Madison, GA	30650
(Address of principal executive offices)	(Zip Code)

706-342-4552
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

X Yes _ No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of April 30, 1992, 3,937,555 shares of common stock were outstanding.

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APPLE SOUTH, INC.

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 1992

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APPLE SOUTH, INC.
STATEMENTS OF EARNINGS
For the periods ended March 31, 1992 and 1991
(amounts in thousands, except per share data)

	(Unaudited) Quarter ended March 31,	
	1992	1991
Restaurant sales:		
Applebee's	$17,549	13,786
Hardee's	2,026	1,855
Total restaurant sales	19,575	15,641
Restaurant operating expenses:		
Food and beverage	5,623	4,565
Payroll and benefits	5,763	4,537
Depreciation and amortization	691	617
Other operating expenses	4,982	3,937
Total restaurant operating expenses	17,059	13,656
Income from restaurant operations	2,516	1,985
General and administrative expenses	1,045	678
Operating income	1,471	1,307
Other income (expense):		
Interest expense	(403)	(662)
Interest income	65	6
Other, net	(55)	30
Total other income (expense)	(393)	(626)
Earnings before income taxes	1,078	681
Income taxes	366	248
Net earnings	$712	433
Earnings per share	$0.18	$0.15
Weighted average number of common and common equivalent shares outstanding	4,065	2,927

APPLE SOUTH, INC.
BALANCE SHEETS
March 31, 1992 and December 31, 1991
(amounts in thousands, except share data)

ASSETS	(Unaudited) 3-31-92	12-31-91
Current assets:		
Cash	$3,451	6,864
Short-term investments	1,100	143
Accounts receivable	201	208
Inventories	860	741
Prepaid expenses and other	1,027	731
Total current assets	6,639	8,687
Premises & equipment, net	29,269	25,900
Franchise costs, net	1,591	1,577
Goodwill, net	532	541
Other assets	108	118
	$38,139	36,823
LIABILITIES & EQUITY		
Current liabilities:		
Notes payable	$1,064	377
Current installments of long-term debt	2,313	2,254
Current installments of obligations under capital leases	1,167	1,170
Accounts payable	2,919	2,719
Accrued liabilities	2,765	2,348
Income taxes	470	511
Total current liabilities	10,698	9,379
Long-term debt	8,678	9,188
Obligations under capital leases	3,890	4,186
Deferred gain	178	181
Deferred income taxes	400	389
Total liabilities	23,844	23,323
Shareholders' equity:		
Preferred stock, $.01 par value. Authorized 10,000,000 shares: none issued	-	-
Common stock, $.01 par value. Authorized 20,000,000 shares: 3,937,555 issued in 1992 and 3,930,062 in 1991	39	39
Additional paid-in capital	11,715	11,610
Retained earnings	2,541	1,851
Total shareholders' equity	14,295	13,500
	$38,139	36,823

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APPLE SOUTH, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
For the periods ended March 31, 1992 and 1991
(amounts in thousands, except share data)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
Balance:					
December 31, 1990	2,926	$29	405	56	490
Net earnings				433	433
Cash dividends				(8)	(8)
Common stock issued to ESOP	4		14		14
March 31, 1991	2,930	$29	419	481	929
Balance:					
December 31, 1991	3,930	$39	11,610	1,851	13,500
Net earnings				712	712
Cash dividends				(22)	(22)
Common stock issued to ESOP	5		74		74
Exercise of stock option by director	2		31		31
March 31, 1992	3,937	$39	11,715	2,541	14,295

APPLE SOUTH, INC.
STATEMENTS OF CASH FLOWS
For the periods ended March 31, 1992 and 1991
(amounts in thousands)

	(Unaudited) Quarter ended March 31, 1992	 1991
Cash flows from operating activities:		
Net earnings	$712	433
Adjustments to reconcile net earnings to net cash provided by operations:		
Depreciation and amortization	690	616
Additions to franchise costs	(60)	-
Decrease (increase) in assets:		
Accounts receivable	7	(18)
Inventories	(119)	(19)
Prepaid expenses and other	(296)	(139)
Other assets	10	-
Increase (decrease) in liabilities:		
Accounts payable	200	(1,041)
Accrued liabilities	417	490
Income taxes	(41)	128
Deferred income taxes	11	91
Net cash provided by operating activities	1,531	541
Cash flows from investing activities:		
Short-term investments	(957)	(10)
Repayment (proceeds) of note from shareholder	-	(115)
Proceeds from sale of premises and equipment	-	-
Capital expenditures	(4,007)	(356)
Net cash used in investing activities	(4,964)	(481)
Cash flows from financing activities:		
Net proceeds (repayment) of notes payable	687	(6)
Proceeds from long-term debt	-	758
Principal payments on long-tern debt	(451)	(570)
Principal payments on obligations under capital leases	(299)	(272)
Proceeds from issuance of commom stock	105	14
Dividends declared and paid	(22)	(8)
Net cash used in financing activities	20	(84)
Net increase (decrease) in cash	(3,413)	(24)
Cash at beginning of period	6,864	448
Cash at end of period	$3,451	424

APPLE SOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 1992 and December 31, 1991

(1) Basis of Presentation

The accompanying unaudited financial statements for the periods ended March 31, 1992 and 1991 have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q. These financial statements should be read in conjunction with the Company's annual report included on Form 10-K for the year ended December 31, 1991. In the opinion of management, these interim financial statements reflect all adjustments, consisting only of normal recurring accruals, necessary for the fair presentation of the Company's financial position and results of operations for the periods indicated.

(2) Commitments

As of March 31, 1992, the Company had commitments of approximately $5 million for the acquisition and construction of new restaurant sites.

(3) Subsequent Acquisition

On May 8, 1992, the Company completed the acquisition of 5 Applebee's units in Jacksonville, Florida and of the territorial rights to future development in a 17 county area that encompasses northeast Florida and southeast Georgia. In conjunction with this transaction, two of the restaurant locations and four of the equipment packages were acquired, with the remaining restaurants and equipment being transferred by lease assignment. The purchase price of approximately $3.5 million was funded with cash, the assumption of notes payable, and through the issuance of 33,501 shares of the Company's common stock valued at $500,000 ($14.925 per share based upon the average daily closing price for the 10-day period preceding the closing of the transaction). These 5 units, making a total of 50 Applebee's restaurants now in operation, are expected to increase annual revenues by $6-7 million.

(4) Cash Dividends

Cash dividends declared and paid in the period ended March 31, 1992 were $22,000, or $.0057 per share. On April 24, 1992, the Company declared a cash dividend of $.008 per share, payable on May 29, 1992, to shareholders of record on May 15, 1992.

(5) Cash for Interest and Income Taxes

For the periods ended March 31, 1992 and 1991, the following supplements the statements of cash flows:

	1992	1991
Interest paid	$395	705
Income taxes paid	$334	230

APPLE SOUTH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
March 31, 1992

Results of Operations

Restaurant sales increased 25.2% to $19.6 million for the quarter ended March 31, 1992 compared to last year. Sales from same stores increased 11% at Applebee's and 9% at Hardee's. Sales from 7 additional Applebee's units (4 opened in 1991 and 3 opened in 1992) also contributed to the overall sales gain. Same store sales benefitted from an improving economy, the absence of a war in the Persian Gulf which was evident in 1991, and customers' positive response to television and radio advertising. Also, at Hardee's, a heightened awareness of customer service, improvement in facilities, and selected menu revisions contributed to increased sales.

Income from restaurant operations increased to 12.9% of sales in 1992 versus 12.7% in 1991. Higher revenues led to the decline in fixed expenses as a percentage of sales. Slightly higher payroll and benefit costs were more than offset by lower food and beverage expenses. Restaurant manager bonus programs which include incentives to promote higher margin menu items and to drive down controllable costs at the restaurant level continued in 1992. Lower food and beverage costs in the first quarter of 1992 were consistent with the trend of costs experienced in the latter part of 1991 and reflect greater purchasing efficiencies and changes in several vendor relationships. Depreciation and amortization increased and rent expense decreased as percentages of sales because the Company's strategy is towards owning, rather than leasing, new units. Other operating expenses increased to 25.5% of sales from 25.2% in the first quarter last year, largely from increases in preopening and training costs associated with new units.

General and administrative expenses increased to 5.3% of sales in 1992 from 4.3% in 1991. A substantial portion of this increase is attributable to expenses associated with the Company's being public in 1992. A portion is also associated with increased personnel costs and selected nonrecurring costs such as repairs and travel. Interest expense in 1992 of $403,000 was $259,000 lower than 1991 due to lower average interest rates and lower average borrowings in 1992.

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Liquidity and Capital Resources

The Company expects to open 10-12 new Applebee's restaurants (excluding acquisitions) in each of the next two years, 3 already having been added in 1992. The associated capital requirement will depend upon the mix between owned and leased units. The Company expects to own most of the real estate for these restaurants, leasing only when purchasing is not feasible. The expected annual capital requirement is $12 million to $15 million. Capital expenditures in the first quarter of 1992 were approximately $4 million. Cash on hand at March 31, 1992 and cash generated from operations through 1993 is expected to provide approximately one-half of the capital required, and additional borrowing is expected to provide the remainder. Although this financing has not been completed yet, new facilities are in place and commitments have been received for substantially all of the amounts required.

Impact of Inflation

Management does not believe that inflation has had a material effect on income during the past several years. Increases in labor, food and other operating costs could adversely affect the Company's operations. In the past, however, the Company generally has been able to modify its operating procedures or increase menu prices to substantially offset increases in operating costs.

Other

The Company currently accounts for income taxes under FASB Statement No. 96, "Accounting for Income Taxes". FASB Statement No. 109, "Accounting for Income Taxes" was issued in February 1992. Statement 109 supercedes Statement 96 and is effective for years beginning after December 15, 1992. The Company has not made a determination whether it will adopt Statement 109 in 1992, and presently does not know the impact of adoption on its financial statements, but does not believe that it will have a material effect.

PART II

Item 4 - Submission of Matters to a Vote of Securities Holders

On April 24, 1992, at the annual meeting of shareholders of the Company, the shareholders approved an amendment to the articles of incorporation clarifying that shareholders of the Company do not have preemptive rights to purchase securities issued by the Company. The amendment was approved by a vote of 2,988,469 shares in favor of the amendment and 16,834 shares against.

Item 5 - Other Information

On May 8, 1992, the Company completed the acquisition of 5 Applebee's units in Jacksonville, Florida and of the territorial rights to future development in a 17 county area that encompasses northeast Florida and southeast Georgia. In conjunction with this transaction, two of the restaurant locations and four of the equipment packages were acquired, with the remaining restaurants and equipment being transferred by lease assignment. The purchase price of approximately $3.5 million was funded with cash, the assumption of notes payable, and through the issuance of 33,501 shares of the Company's common stock valued at $500,000 ($14.925 per share based upon the average daily closing price for the 10-day period preceding the closing of the transaction). These 5 units, making a total of 50 Applebee's restaurants now in operation, are expected to increase annual revenues by $6-7 million.

Item 6 - Exhibits and Reports on Form 8-K

(a) The following document is being filed as part of this report:

Asset Purchase Agreeement dated as of April 27, 1992, among Apple South, Inc., Zee-Dee Restaurants, Inc, and Lynn B. Zody, Joe W. Dunkin, and Martha A. Dunkin

(b) No reports on Form 8-K were filed during the quarter ended March 31, 1992, or subsequent through the date of this filing.

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APPLE SOUTH, INC.
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Apple South, Inc.
(Registrant)

Date: May 14, 1992

Tom E. DuPree, Jr.
Chairman and Chief
Executive Officer

Date: May 14, 1992

Erich J. Booth
Chief Financial Officer

ASSET PURCHASE AGREEMENT

DATED AS OF APRIL 27, 1992,

AMONG

APPLE SOUTH, INC.

ZEE-DEE RESTAURANTS, INC.

AND

LYNN B. ZODY, CAROLINE R. ZODY,
JOE W. DUNKIN, AND MARTHA A. DUNKIN

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ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT, dated as of April 27, 1992, by and among ZEE-DEE RESTAURANTS, INC., a Florida corporation ("Seller"), LYNN B. ZODY, CAROLINE R. ZODY, JOE W. DUNKIN, and MARTHA A. DUNKIN (the "Shareholders"), and APPLE SOUTH, INC., a Georgia corporation (the "Purchaser").

WHEREAS, Seller is engaged in the business of operating five Applebee's Neighborhood Grill & Bar franchise restaurants;

WHEREAS, the Shareholders own all of the issued and outstanding capital stock of Seller;

WHEREAS, Seller desires to sell to Purchaser all the assets of Seller associated with the operation of the five restaurants and to assign to Purchaser its rights and obligations under certain contracts and leases, and Purchaser desires to purchase such assets and to assume the rights and obligations of Seller under such contracts and leases, all on the terms and subject to the conditions hereinafter set forth; and

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements set forth herein, and intending to be legally bound, the parties hereby agree as follows:

ARTICLE I - DEFINITIONS

1.1 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(a) "Assets" shall mean all rights, interests, properties, and assets of Seller of whatever nature, tangible or intangible, real or personal, fixed or contingent, except for the Excluded Assets. Assets shall include, but shall not be limited to, the following:

(i) all equipment, machinery, utensils, furniture, furnishings, other tangible personal property, leasehold improvements, and fixtures used in connection with, or in any way related to, the Business, including but not limited to the items listed on SCHEDULE 1.1(a)(i), but excluding those items which are Excluded Assets; and

(ii) all supplies, other than food and beverage inventory;

(iii) all advertising and promotional materials;

(iv) all prepaid items;

(v) all rights under any liquor, alcoholic beverage, beer and wine, and other licenses of every kind, certificates of occupancy, and permits or approvals of any nature;

(vi) all rights under any patent, trademark, service mark, trade name, or copyright, whether registered or unregistered (except for the name "Zee-Dee Restaurants, Inc.");

(vii) all methods, technologies, know-how, trade secrets, formulations or other intellectual property used in connection with the Business;

(viii) all rights, claims, or causes of action, including all rights under express or implied warranties relating to the Assets; and

(ix) all files, records, data, and plans, including supplier lists, demographic, statistical, and other information related to the opening or operation of restaurants, other information of any type useful to the Business, and copies (if requested by Purchaser) but not originals of employee and financial records; and

(x) all rights and interests of Seller in, to, and under the Contracts, Leases, and Equipment Leases.

(b) "Assumed Liabilities" shall mean (i) a promissory note owed to North Carolina National Bank in the original principal amount of $446,058.92 dated January 23, 1992, (ii) all obligations that accrue after the Closing under the express written terms of the Contracts, Leases, and Equipment Leases, and (iii) any payment due under the express written terms of the Contracts, Leases, and Equipment Leases that accrued prior to the Closing but which (x) are not due until after the Closing, (y) are subtracted in calculating the Purchase Price pursuant to Section 2.3 and (z) are listed on SCHEDULE 2.3. Assumed Liabilities shall not include any liability, obligation, payment, duty, or responsibility of any nature except as expressly described above and specifically shall not include (i) liabilities or obligations of Seller arising out of any breach by Seller of any Contract, Lease, or Equipment Lease; (ii) liabilities or obligations of Seller for any payment or performance due under any Contract, Lease, or Equipment Lease, prior to the Closing or which would have been due prior to the Closing had notice thereof been given or a grace period not existed; (iii) any liability of Seller for product liability, personal injury, property damage, or otherwise based on any tort claim or statutory liability (including but not limited to any "dram shop" liability); (iv) any federal, state, or local tax liability of Seller; (v) any contractual claim based on any lease,

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contract, or agreement other than the Contracts, Leases, and Equipment Leases; (vi) any liability, obligation, or responsibility of Seller to employees, agents, or independent contractors of Seller, with respect to wages or benefits earned or accrued prior to the Closing; and (vii) any liability or obligation of Seller or Shareholders arising out of the negotiation, execution, or performance of this Agreement, including fees and expenses of attorneys and accountants.

(c) "Bill of Sale and Assignment Agreement" shall mean an instrument in substantially the form of EXHIBIT A hereto pursuant to which the Assets will be transferred and assigned to Purchaser.

(d) "Business" shall mean the business conducted by Seller prior to the Closing Date of owning and operating the Restaurants.

(e) "Closing" shall have the meaning set forth in Section 2.4 hereof.

(f) "Closing Date" shall mean the time and date the Closing occurs.

(g) "Code" shall mean the United States Internal Revenue Code of 1986, as amended, including effective date and transition rules (whether or not codified). Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

(h) "Consents" shall mean the consents, approvals and estoppels of others which are required to be obtained to authorize and permit the assignment, transfer and conveyance to Purchaser of the Contracts, Leases, and Equipment Leases.

(i) "Contracts" shall mean those franchise and development agreements between Seller and the Franchisor and the other contracts and agreements listed on SCHEDULE 1.1 (i) attached hereto.

(j) "Debts" shall mean the obligations of Seller specified in Section 8.6.

(k) "Equipment Leases" means those leases of personal property described on SCHEDULE 1.1 (k) attached hereto.

(l) "Excluded Assets" shall mean Seller's (i) cash, (ii) bank accounts, (iii) rights to any federal or state income tax refunds, (iv) food and beverage inventory (including beer, wine, and liquor), (v) all personal property located at Seller's

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corporate offices at 5569-3 Bowden Road, Jacksonville, Florida, such as furniture, fixtures, furnishings, and computer hardware, (vi) a 1987 Blazer, (vii) utility deposits, and (viii) rights to the name "Zee-Dee Restaurants, Inc."

(m) "Financial Statements" shall mean the unaudited financial statements of Seller at and for the periods ended December 31, 1991, and the unaudited financial statements of Seller at and for the interim period ended March 24, 1992, attached hereto as SCHEDULE 1.1 (m).

(n) "Franchisor" means Applebee's International, Inc.

(o) "Leases" means the three leases of real property and improvements described on SCHEDULE 1.1 (o) attached hereto pursuant to which the land and buildings in which the three restaurants located at 4194 South Third Street, Jacksonville Beach, Florida, 9498 Atlantic Boulevard, Jacksonville, Florida, and 9485 Baymeadows Road, Jacksonville, Florida are leased by Seller.

(p) "knowledge of Seller" (or words of like effect) when used to qualify a representation, warranty or other statement shall mean (i) the actual knowledge of the Shareholders or the officers or directors of Seller, and (ii) the knowledge that any of the Shareholders or the officers or directors of Seller would have possessed upon the exercise of reasonable diligence in the operation of the Business of Seller.

(q) "Purchase Price" shall mean the purchase price specified in Section 2.3 hereof to be paid by Purchaser to Seller.

(r) "Real Property" shall mean the land and improvements on the sites where the Restaurants are located.

(s) "Restaurants" shall mean the five Applebee's Neighborhood Grill & Bar restaurants owned and operated by Seller pursuant to franchise agreements with the Franchisor, at the following locations:

1. 10502 San Jose Blvd.
   Jacksonville, Florida
2. 492 Blanding Blvd.
   Orange Park, Florida
3. 4194 South Third Street
   Jacksonville Beach, Florida
4. 9498 Atlantic Blvd.
   Jacksonville, Florida
5. 9485 Baymeadows Road
   Jacksonville, Florida

(t) "Securities Act" shall mean the Securities Act of 1933, as amended.

(u) "Shares" shall mean the shares of Common Stock, $.01 par value, of Purchaser delivered at the Closing pursuant to Section 2.3(b).

1.2 Singular/Plural; Gender. Where the context so requires or permits, the use of the singular form includes the plural, and the use of the plural form includes the singular, and the use of any gender includes any and all genders.

ARTICLE II - PURCHASE AND SALE

2.1 Purchase and Sale. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing Seller shall sell, convey, transfer, and assign to Purchaser all of Seller's right, title, and interest in and to the Assets free and clear of any mortgage, pledge, security interest, lien, charge, other encumbrance, or claim, and Purchaser shall purchase and acquire the Assets from Seller.

2.2 Assumption of Liabilities. Effective as of the Closing, Purchaser shall assume all of the Assumed Liabilities. Except as expressly provided herein and in the Bill of Sale and Assignment Agreement, Purchaser does not assume or agree to assume or pay any obligations, liabilities, indebtedness, duties, responsibilities, or commitments of Seller of any nature whatsoever, whether known or unknown, absolute or contingent, due or to become due.

2.3 Purchase Price. The purchase price ("Purchase Price") for the Assets shall be $1,000,000 less the amounts accrued under the Contracts, Leases, and Equipment Leases prior to the Closing but for which payment is due after the Closing and plus any amount paid by Seller in advance under the Leases, Equipment Leases, and Contracts with respect to the period after the Closing or any other prepaid item of benefit to Purchaser. Such calculation shall be set forth on SCHEDULE (2.3) which shall be initialled by the parties and attached hereto at the Closing. The Purchase Price shall be paid as follows:

(a) Fifty percent of the Purchase Price shall be paid by the transfer by Purchaser at Closing of that amount into a joint bank account of Seller and Purchaser to be maintained and disbursed pursuant to Section 8.6 below.

(b) Fifty percent of the Purchase Price shall be paid by the issuance to Seller of shares of Common Stock of Purchaser. The number of shares of Common Stock of Purchaser to be issued to Seller hereunder (the "Shares") shall be determined by dividing fifty percent of the Purchase Price by the average closing sale price of the Purchaser's Common Stock as reported by NASDAQ

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National Market System for the ten trading days preceding the last trading day prior to the Closing Date. Certificates evidencing the Shares shall be issued at the Closing. The Seller shall deliver such certificates back to counsel for Purchaser, as escrow agent, with an executed blank stock power and such escrow agent shall hold such certificates subject to Section 8.6(e). Once all the Debts have been paid, the escrow agent shall deliver the certificates evidencing the Shares to Seller, less any Shares sold to satisfy Debts in accordance with Section 8.6.

2.4 Closing. The closing of the purchase and sale of the Assets (the "Closing") shall take place at the offices of Booth, Wade & Campbell, Cumberland Center II, Suite 1500, 3100 Cumberland Circle, Atlanta, Georgia 30339-5939, on May 8, 1992, or at such other date and time as may be mutually agreed upon between Purchaser and Seller.

2.5 Allocation of Purchase Price. The Purchase Price shall be allocated among the Assets acquired hereunder as described on SCHEDULE 2.5 hereof. Seller and Purchaser each hereby agree that it will not take a position on any income tax return, before any governmental agency charged with the collection of any income tax, or in any judicial proceeding that is in any way inconsistent with the terms of this Section 2.5.

2.6 Further Assurances. Seller and Shareholders from time to time after the Closing, at Purchaser's request, shall execute, acknowledge and deliver to Purchaser such other instruments of conveyance and transfer and shall take such other actions and execute and deliver such other documents, certifications and further assurances as Purchaser may reasonably require to vest more effectively in Purchaser or to put Purchaser more fully in possession of, any of the Assets, or to better enable Purchaser to complete, perform and discharge the Assumed Liabilities. Each of the parties hereto will cooperate with the others and execute and deliver to the other parties hereto such other instruments and documents and take such other actions as may be reasonably requested from time to time by any other party hereto as necessary to carry out, evidence and confirm the intended purpose of this Agreement.

ARTICLE III - REPRESENTATIONS AND WARRANTIES OF SELLER AND THE SHAREHOLDERS

Seller and the Shareholders (except with respect to Sections 3.10 and 3.11 only Joe W. Dunkin joins in such representations and warranties made therein) hereby jointly and severally represent and warrant to Purchaser as follows:

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3.1 Organization, Qualifications and Corporate Power. Seller is a corporation duly incorporated and organized, validly existing and in good standing under the laws of the State of Florida. Seller has the corporate power and authority to execute, deliver and perform this Agreement and the Bill of Sale and Assignment Agreement.

3.2 Authorization. The execution, delivery and performance by Seller of this Agreement and the Bill of Sale and Assignment Agreement have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, the Articles of Incorporation or Bylaws of Seller, or any provision of any indenture, agreement or other instrument to which Seller is a party or by which Seller or any of its properties or assets is bound or affected, or conflict with, result in breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of Seller.

3.3 Validity. This Agreement has been duly executed and delivered by Seller and the Shareholders, and constitutes the legal, valid and binding obligation of Seller and the Shareholders, enforceable in accordance with its terms, subject to general equity principles and to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights. When the Bill of Sale and Assignment Agreement has been executed and delivered in accordance with this Agreement, it will constitute the legal, valid and binding obligation of Seller, enforceable in accordance with its terms, subject to general equity principles and to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights.

3.4 Title to Assets. Seller has good, valid and marketable title to all of the Assets, free and clear of any and all mortgages, pledges, security interests, liens, charges, conditional sales agreements and other encumbrances. SCHEDULE 1.1 (a)(i) hereto is a materially complete and correct description of all the tangible assets of Seller, and their cost. No other party has any claim of any kind to or against the Assets. Any liens, encumbrances, or claims with respect to the Assumed Liabilities constitute exceptions to the representations and warranties of this paragraph.

3.5 Contracts, Leases, and Note.

(a) Each Contract, Lease, and Equipment Lease is a valid and subsisting agreement, without any default of Seller thereunder, and to the knowledge of Seller, without any default on the part of the other party thereto. Seller does not have knowledge of any event or occurrence which with the passage of time or giving of notice or both will constitute a default under any Contract, Lease, or Equipment Lease. A true and correct copy of each Contract, Lease, and Equipment Lease and every amendment thereto is set forth as SCHEDULE 3.5 to this Agreement. At the time of Closing Purchaser shall have made all payments and performed all obligations due or accrued through the Closing Date under each Contract, Lease, or Equipment Lease, except to the extent that any payment is set forth on SCHEDULE 2.3 and deducted in calculating the Purchase Price pursuant to Section 2.3.

(b) No Contract, Lease, or Equipment Lease has been assigned or any interest granted therein to any third party, or is subject to any mortgage, pledge, hypothecation, security interest, lien, or other encumbrance or claim. No other party has any interest to or rights therein or thereunder except the other named parties to the Contracts, Leases, and Equipment Leases.

(c) Each Equipment Lease allows Seller the full use of the equipment and other property described on SCHEDULE 1.1(k) in accordance with the terms of the Equipment Leases, and all of such equipment and other property is present on the premises of the Restaurants and is in good operating condition subject to ordinary wear and tear commensurate with their age and no condition exists requiring material repairs, alterations, improvements, or corrections.

(d) The note dated January 23, 1992 to NCNB is current.

3.6 Sufficiency of Assets. The Assets (including the assignment of the Contracts, the Leases, and the Equipment Leases) include all rights, property, equipment, supplies, licenses, certificates, and other tangible and intangible property necessary or helpful to the continuation of the Business by Purchaser in the manner it is presently conducted by Seller, except for food and beverage inventory, office equipment, furniture, furnishings, and computer hardware, and vehicles. Upon the acquisition of the Assets hereunder Purchaser will have (except for food and beverage inventory) all the property and rights needed to conduct the Business as presently conducted and to conduct the Business in accordance with the requirements of the Franchisor (except as indicated on Schedule 3.6) and good and sound business practice without any further investment or expenditures on the part of Purchaser for assets, properties, rights, or licenses of any kind.

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All of the Assets that consist of tangible personal property or fixtures are in good operating condition subject to ordinary wear and tear commensurate with their age and no condition exists requiring material repairs, alterations, or corrections.

3.7 Real Estate.

(a) The water, electric, gas and sewer utility services, and storm drainage facilities currently available to the Real Property are adequate for the conduct of the Business, and to Seller's knowledge there is no condition which will result in the termination of the present access from the Real Property to such utility services and other facilities.

(b) Seller has obtained all authorizations and rights-of-way, which are necessary to ensure vehicular and pedestrian ingress and egress to and from the Real Property, all of which are assignable and shall be assigned to Purchaser at the Closing. There are no restrictions on entrance to or exit from the Real Property to adjacent public streets, roadways or parking lots presently used and no conditions which will result in the termination of the present access from the Real Property to existing highways and roads and parking lots or private drives presently used.

(c) Seller has received no notices, oral or written, and has no reason to believe, that any governmental body having the power of eminent domain over the Real Property has commenced or intends to exercise the power of eminent domain or a similar power with respect to all or any part of the Real Property.

(d) The Real Property and the present uses thereof comply with all regulations of all governmental bodies having jurisdiction over the Real Property, and Seller has received no notices, oral or written, from any governmental body, and has no reason to believe, that the Real Property or any improvements erected or situate thereon, or the uses conducted thereon or therein, violate any regulations of any governmental body having jurisdiction over the Real Property.

(e) The improvements located on the Real Property are in good condition and are structurally sound, and all mechanical and other systems located therein are in good operating condition subject to normal wear and tear commensurate with their age and no condition exists requiring material repairs, alterations, improvements, or corrections.

(f) The site of each Restaurant provides adequate access and parking for the operation of the Restaurant located thereon in accordance with standards established by Franchisor and the

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assignment of the Leases and the purchase of two sites owned by parties related to Seller will convey to Purchaser leased or owned sites sufficient for such operation by Purchaser.

(g) No work for municipal improvements has been commenced on or in connection with the Real Property or any street adjacent thereto and to the knowledge of Seller and Shareholders no such improvements are contemplated. No assessment for public improvements has been made against the Real Property which remains unpaid. No notice from any county, township or other governmental body has been served upon the Real Property or received by Seller, or to Seller's knowledge received by the owner of the Real Property, requiring or calling attention to the need for any work, repair, construction, alteration or installation on or in connection with the Real Property which has not been complied with.

(h) There are no "hazardous materials" (as defined below) located on the Real Property and Seller has received no notice of any violation or claimed violation of any law, rule, or regulation relating to hazardous materials. The Real Property has not been used for the storage of hazardous materials. There have been no spills or leaks of hazardous material on the Real Property. There are no underground storage tanks of any kind on the Real Property. The Real Property has not been the subject of either an investigation by federal, state or local officials or private litigation as a result of the handling of hazardous materials. No significant accident or other incident that resulted in hazardous materials contamination has ever occurred on the Real Property. To the best of Seller's knowledge, (i) no neighboring facilities have ever been the subject of an investigation by federal, state or local officials or the subject of private litigation as a result of their handling hazardous materials and (ii) no accident or other incident resulting in hazardous materials contamination has ever occurred on neighboring properties. For the purposes of this Agreement, the phrase "hazardous materials" shall include, without limitation, each of the following: asbestos materials; PCB transformers; toxic, hazardous or contaminated waste, substance or material; oil; petroleum; and oil and petroleum byproducts.

3.8 Conditions Affecting Business. There is no fact, development, or threatened development with respect to the markets, products, services, clients, customers, facilities, personnel, vendors, suppliers, operations, assets, or prospects of the Business which are known to Seller or Shareholders which would materially adversely affect the Business or the prospects of the Business, other than such conditions as may affect as a whole the economy generally. Seller has used its best efforts to keep available for Purchaser the services of the employees, agents, customers and suppliers of Seller active in the conduct of the Business. Seller does not have any reason to believe that any loss

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of any employee, agent, customer or supplier or other advantageous arrangement will result because of the consummation of the transactions contemplated hereby.

3.9 Governmental Approvals. To the knowledge of Seller or the Shareholders, no registration or filing with, or consent or approval of, or other action by, any federal, state or other governmental agency or instrumentality is or will be necessary for the valid execution, delivery and performance by Seller or this Agreement that has not or will not timely be done.

3.10 Financial Statements. The Financial Statements have been prepared in accordance with generally accepted accounting principles consistently applied, and fairly present the financial position of Seller as of the dates thereof and the results of its operations for the respective periods thereof. Except as set forth in the balance sheets contained in Financial Statements, and except for obligations and liabilities under the terms of any Contract, Lease, or Equipment Lease, Seller has no obligations or liabilities, absolute, accrued or contingent, as of the date hereof, which would be required to be disclosed on a balance sheet as of such date prepared in accordance with generally accepted accounting principles or in the notes thereto.

3.11 Events Subsequent to March 24, 1992. Since March 24, 1992, Seller has not: (i) issued any stock, bond, options, warrants, rights, or other corporate securities; (ii) borrowed any amount or incurred any obligations or liabilities (absolute or contingent), except current obligations and liabilities incurred in the ordinary course of business of the type and in the amounts consistent with prior periods; (iii) sold, assigned, mortgaged, pledged, subjected to lien or otherwise transferred any interest in any of the assets shown on the Financial Statements or canceled any debts or claims; (iv) suffered any casualty losses, or waived any rights of substantial value; (v) made any changes in employee compensation; (vi) materially reduced its level of inventory or supplies; (vii) materially changed the number of employees or management personnel; (viii) canceled, entered into, or amended any contract or agreement except in the ordinary course of business and consistent with past practice; and (ix) materially changed the operation of the Business in any fashion.

3.12 Litigation. There is no action, suit, investigation or proceeding pending or, to the knowledge of Seller or the Shareholders, threatened against or affecting Seller or the Shareholders, threatened against or affecting Seller or any of its properties or rights before any court or by or before any governmental body or arbitration board or tribunal. To the knowledge of Seller, there does not exist any basis for any such action, suit, investigation or proceeding.

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3.13 Shareholders. All the issued and outstanding capital stock of Seller is owned beneficially and of record by the Shareholders.

3.14 Subsidiaries. Seller has no subsidiaries and does not own of record or beneficially, directly, or indirectly, (i) any shares of outstanding capital stock or securities convertible into capital stock of any other corporation, or (ii) any participating interest in any partnership, joint venture, association or other noncorporate business enterprise.

3.15 Permits. Seller has such permits, liquor licenses, beer and wine licenses, other licenses, franchises and authorizations ("Permits") from governmental and regulatory authorities as are necessary to conduct the Business. Seller holds such Permits free of any claims or restrictions and has fulfilled and performed all of its material obligation with respect to such Permits and no event has occurred which allows, nor after notice or lapse of time or both would allow, revocation or termination thereof or would result in any other impairment of the rights of the holder of any such Permits. Except as set forth in SCHEDULE 3.15 hereto, all such Permits are freely assignable and transferable to Purchaser without the consent of any third party, and such assignment will not allow, nor after notice or lapse of time or both would allow, revocation or termination thereof or would result in any other impairment of the rights of Purchaser as the holder of any such Permits.

3.16 Defaults. Seller is not in default under any material note, mortgage, lease, contract, agreement, or obligation of any kind.

3.17 Compliance with Law. Seller is not in default under any order of any court, governmental authority, arbitration board or tribunal to which it is or was subject, or, to the knowledge of Seller or the Shareholders, in violation of any laws, ordinances, governmental rules or regulations the violation of which would have a material adverse effect on Seller or the Business of Seller.

3.18 Labor Matters. Seller is not and never has been a party to any collective bargaining or other labor agreement. There is not pending or threatened any labor dispute, strike, work stoppage, union representation, election, negotiation of collective bargaining agreement or similar labor matter. To the knowledge of Seller or the Shareholders, Seller is not involved in any controversy with any of the employees of Seller or any organization representing any employees of the Seller, and Seller is in compliance with all applicable federal and state laws and regulations concerning the employer/employee relationship. Seller is in compliance with all of its agreements relating to the employment of its employees, including, without limitation, provisions thereof relating to wages, bonuses, hours of work and the payment of Social Security taxes, and Seller is not liable for any unpaid wages, bonuses or commissions or any tax, penalty, assessment or forfeiture for failure to comply with any of the foregoing.

3.19 Employee Benefits.

(a) SCHEDULE 3.19 hereto contains a true and complete list of all the following agreements or plans of Seller which are presently in effect:

(i) "employee welfare benefit plans" and "employee pension benefit plans," as defined in Sections 3(1) and 3(2), respectively, of the Employee Retirement Income Security Act of 1974, as amended ("ERISA");

(ii) any other pension, profit sharing, retirement, deferred compensation, stock purchase, stock option, incentive, bonus, vacation, severance, disability, health, hospitalization, medical, life insurance, vision, dental, prescription drug, supplemental unemployment, layoff, automobile, apprenticeship and training, day care, scholarship, group legal benefits, fringe benefit, or other employee benefit plan, program, policy, or arrangement, whether written or unwritten, formal or informal, which Seller maintains or to which Seller has any outstanding, present, or future obligation to contribute to or make payments under, whether voluntary, contingent, or otherwise (the plans, programs, policies or arrangements described in clauses (i) or (ii) are herein collectively referred to as the "Seller Plans").

(b) Except as described on SCHEDULE 3.19, Seller does not have an employee stock ownership plan as defined in Sections 4975(e)(7) or 409 of the Code.

(c) Seller does not presently contribute and has never contributed or been obligated to contribute to a multi-employer pension plan as defined in Section 3(37)(A) of ERISA.

(d) No Seller Plan is subject to Title IV of ERISA.

3.20 Securities Law Matters.

(a) Seller and Shareholders understand and acknowledge (i) that the Shares have not been registered under the Securities Act or under the Florida Securities and Investor Protection Act (the "Florida Act") in reliance upon the exemptions provided by Section 4(2) of the Securities Act thereunder and in reliance upon

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the exemption provided by Section 517.061(9) of the Florida Act and that the Shares may not be resold, transferred, assigned, pledged, hypothecated, or any interest therein otherwise disposed of unless the Shares are registered under the Securities Act and the Florida Act and any other applicable state securities laws or unless the shares are the subject of an opinion of counsel, which opinion and counsel are acceptable to Purchaser, addressed to Purchaser that such registration is not required; (ii) that the stock certificates evidencing the Shares will bear legends setting forth the restrictions on transfer described above and stop-transfer instructions will be delivered by Purchaser to the Purchaser's stock transfer agent reflecting such restrictions; (iii) that Seller and Shareholders have received copies of Purchaser's Prospectus dated November 21, 1991, Purchaser's Form 10-K for the year ended December 31, 1991, Purchaser's Annual Report for the year ended December 31, 1991, Purchaser's Proxy Statement for the 1992 annual meeting of shareholders and have carefully reviewed such documents; and (iv) Seller and Shareholders have had the opportunity to ask questions of and receive answers from the officers of the Purchaser concerning the Shares, the Purchaser and Purchaser's business, plans, and prospects.

(b) Seller is acquiring the Shares for its own account for investment with no intention of dividing its participation with others or otherwise participating, directly or indirectly, in a distribution of the Shares. Seller may decide to transfer the Shares to the Shareholders in a liquidating distribution.

(c) Seller and Shareholders have such experience in business, financial, and investment matters as to be able to evaluate the merits and risks of an investment in the Shares.

3.21 Bulk Transfer Compliance.

(a) The list of creditors furnished to Purchaser by Seller accurately sets forth all of the creditors of Seller as of the date of such list, the business address of each such creditor, the amount owed to each creditor, and the names of all persons who are known to Seller to assert claims against Seller even though such claims are disputed.

(b) The principal place of business of Seller is located at 5569-3 Bowden Road, Jacksonville, Florida. Except for the Restaurants, Seller has not conducted business at any other location during the last three years.

(c) Seller has not used any tradename or conducted business under any name other than Zee-Dee Restaurants, Inc., during the last three years, except for operating the Restaurants under the name "Applebee's Neighborhood Grill and Bar."

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(d) All of the material tangible Assets being transferred hereunder are located on the sites of the Restaurants.

3.22 Representations and Warranties. No representation, warranty or written statement made by Seller or any Shareholder in this Agreement or in any schedule, written statement or certificate furnished to Purchaser in connection with the transactions contemplated hereby by Seller or any Shareholder, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE IV - REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller as follows:

4.1 Organization, Qualifications and Corporate Power. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Georgia. Purchaser has full power and authority to own and hold its properties and to conduct its business as currently conducted and proposed to be conducted. Purchaser has the power and authority to execute, deliver and perform this Agreement and the Bill of Sale and Assignment Agreement.

4.2 Authorization. The execution, delivery and performance by Purchaser of this Agreement and the Bill of Sale and Assignment Agreement have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, the articles of incorporation or bylaws of Purchaser, or any provision of any indenture, agreement or other instrument to which Purchaser is a party or by which Purchaser or any of its properties or assets is bound or affected, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of Purchaser other than as contemplated by this Agreement.

4.3 Validity. This Agreement has been duly executed and delivered by Purchaser, and constitutes the legal, valid and binding obligation of Purchaser, enforceable in accordance with its terms, subject to general equity principles and to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights. When the Bill of Sale and Assignment Agreement has been executed and delivered in accordance with this Agreement, it will constitute the legal, valid and binding obligation of Purchaser,

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enforceable in accordance with its terms, subject to general equity principles and to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights.

4.4 Governmental Approvals. No registration or filing with, or consent or approval of, or other action by, any federal, state or other governmental agency or instrumentality is or will be necessary for the valid execution, delivery and performance by Purchaser of this Agreement that has not or will not timely be done.

4.5 Representation and Warranties. No representation, warranty or written statement made by Purchaser in this Agreement or in any schedule, written statement or certificate furnished to Seller in connection with the transactions contemplated hereby by Purchaser contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE V - CONDITIONS PRECEDENT TO THE OBLIGATIONS OF PURCHASER

All of the obligations of Purchaser under this Agreement are subject to the fulfillment prior to or at the Closing of each of the following conditions, any one or more of which may be waived in writing by Purchaser:

5.1 Accuracy of Representations and Warranties. The representations and warranties of Seller and the Shareholders contained herein or in any certificate, schedule or other document delivered pursuant to the provisions hereof or in connection herewith shall be true and correct on and as of the Closing Date.

5.2 Compliance with Agreement. Seller shall have performed and complied with all conditions and agreements required by this Agreement to be performed or complied with by it prior to or at the Closing.

5.3 No Material Adverse Change. There shall not have been any material adverse change in the Assets or the Business or financial condition of Seller since the date hereof.

5.4 No Actions. No material litigation, action, suit, investigation, claim or proceeding shall be pending or threatened against or affecting Seller, or any of the Assets, or against or affecting any of the transactions contemplated hereby, which, in the judgment of Purchaser, renders it inadvisable to proceed with the transactions contemplated herein.

5.5 Consents and Approvals. Seller shall have obtained (i) the consent of Franchisor to the assignment of all franchise agreements and development agreements with Franchisor and to the other transactions contemplated hereby; (ii) the waiver of Franchisor of its right of first refusal with respect to the Restaurants; (iii) the consent and approval of the lessors under the Equipment Leases to the assignment thereof; (iv) the consent of the lessors of all real property under the Leases to the assignment thereof; and (v) all other consents and approvals required to effectuate the transactions contemplated hereby, all of which consents, waivers, and approvals shall be in form and substance satisfactory to Purchaser.

5.6 Real Estate Acquisition. Purchaser shall have acquired the land, buildings, and improvements comprising the premises of the restaurants located at 10502 San Jose Boulevard, Jacksonville, Florida, and 492 Blanding Boulevard, Orange Park, Florida.

5.7 Inventory. Purchaser shall have acquired Seller's inventory of food and beverages for the Restaurants based on an inventory immediately preceding the Closing at a price equal to Seller's cost.

5.8 Closing Deliveries. Seller shall have delivered to Purchaser:

(a) A certificate executed by the Shareholders, dated as of the Closing Date, certifying in such detail as Purchaser may request to the fulfillment of the conditions specified in Sections 5.1 through 5.5 hereof;

(b) A certificate of the Secretary or an Assistant Secretary of Seller, dated as of the Closing Date, certifying in such detail as Purchaser may request (i) that attached thereto is a true and complete copy of resolutions adopted by the Board of Directors of Seller and the Shareholders authorizing the execution, delivery and performance of this Agreement and the Bill of Sale and Assignment Agreement, and that all such resolutions are still in full force and effect and are all the resolutions adopted in connection with the transactions contemplated by this Agreement, and (ii) as to the incumbency and specimen signature of each officer of Seller executing this Agreement, the Bill of Sale and Assignment Agreement, and any certificate or instrument furnished pursuant hereto, and a certification by another officer of Seller as to the incumbency and signature of the officer signing the certificate referred to in this Section 5.8(b);

(c) The opinion of Kopelousos, Head, Smith, Townsend & Metcalf, P. A., counsel to Seller, in substantially the form of EXHIBIT B hereto;

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(d) The Bill of Sale and Assignment Agreement, duly executed by Seller;

(e) The Assets;

(f) Original executed copies of the Contracts, the Leases, and the Equipment Leases, and the Consents;

(g) Any other documents that Purchaser may reasonably request at or prior to the Closing.

ARTICLE VI - CONDITIONS PRECEDENT TO THE OBLIGATIONS OF SELLER

All of the obligations of Seller under this Agreement are subject to the fulfillment prior to or at the Closing of each of the following conditions, any one or more of which may be waived in writing by Seller:

6.1 Accuracy of Representations and Warranties. The representations and warranties of Purchaser contained herein or in any certificate, schedule or other document delivered pursuant to the provisions hereof or in connection herewith shall be true and correct on and as of the Closing Date.

6.2 Compliance with Agreement. Purchaser shall have performed and complied with all conditions and agreements required by this Agreement to be performed or complied with by it prior to or at the Closing.

6.3 No Actions. There shall not have been commenced or threatened any action, suit or proceeding which will likely materially and adversely affect consummation of the transactions contemplated hereby.

6.4 Closing Deliveries. Purchaser shall have delivered to Seller:

(a) A certificate executed by an executive officer of Purchaser, dated as of the Closing Date, certifying in such detail as seller may request to the fulfillment of the conditions specified in Sections 6.1 through 6.3 hereof;

(b) A certificate of the Secretary or an Assistant Secretary of the Purchaser, dated as of the Closing Date, certifying in such detail as Seller may request (i) that attached thereto is a true and complete copy of resolutions adopted by the Board of Directors of the Purchaser authorizing the execution, delivery and performance of this Agreement and the Bill of Sale and Assignment Agreement, and that all such resolutions are still in

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full force and effect and are all the resolutions adopted in connection with the transaction contemplated by this Agreement, and (ii) as to the incumbency and specimen signature of each officer of Purchaser executing this Agreement and the Bill of Sale and Assignment Agreement, and any certificate or instrument furnished pursuant hereto, and a certification by another officer of Purchaser as to the incumbency and signature of the officer signing the certificate referred to in this Section 6.4(b);

(c) The Bill of Sale and Assignment Agreement, duly executed by Purchaser;

(d) The funds payable to Seller at the Closing pursuant to Section 2.3(a) hereof;

(e) The Shares; and

(f) Any other documents that Seller may reasonably request at or prior to the Closing.

6.5 Release. Seller and Shareholders shall be released from liability by the obligees of the Assumed Liabilities.

ARTICLE VII - INDEMNIFICATION

7.1 General Indemnification Obligation of Seller and Shareholders. From and after the Closing, each of Seller and the Shareholders, jointly and severally, will reimburse, indemnify and hold harmless Purchaser and its successors and assigns (an "Indemnified Purchaser Party") against and in respect of:

(a) Any and all damages, losses, deficiencies, liabilities, costs and expenses incurred or suffered by any Indemnified Purchaser Party that result from, relate to, or arise out of:

(i) any and all liabilities and obligations of Seller of any nature whatsoever, except for the Assumed Liabilities;

(ii) any and all actions, suits, claims, or legal, administrative, arbitration, governmental or other proceedings or investigations against any Indemnified Purchaser Party that relate to Seller or the Business in which the principal event giving rise thereto occurred prior to the Closing Date or which result from or arise out of any action or inaction prior to the Closing Date of Seller or any director, officer, employee, agent, representative, shareholder, independent contractor, or subcontractor of Seller; or

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(iii) any misrepresentation, breach of warranty, or nonfulfillment of any agreement or covenant on the part of Seller or Shareholders under this Agreement, or from any misrepresentation in or omission from any certificate, schedule, statement, document or instrument furnished to Purchaser pursuant hereto or in connection with the negotiation, execution or performance of this Agreement; and

(b) Any and all actions, suits, claims, proceedings, investigations, demands, assessments, audits, fines, judgments, costs and other expenses (including, without limitation, legal fees and expenses) incident to any of the foregoing or to the enforcement of this Section 7.1.

7.2 General Indemnification Obligation of Purchaser. From and after the Closing, Purchaser shall reimburse, hold harmless, and indemnify Seller and Shareholders and their successors and assigns (an "Indemnified Seller Party") against and in respect of:

(a) Any and all damages, losses, deficiencies, liabilities, costs, and expenses, incurred or suffered by any Indemnified Seller Party that result from, relate to, or arise out of:

(i) the Assumed Liabilities;

(ii) any and all actions, suits, claims, or legal, administrative, arbitration, governmental or other proceedings or investigations against any Indemnified Seller Party that relate to Purchaser or the operation of the Restaurants by Purchaser in which the principal event giving rise thereto occurred subsequent to the Closing Date or which result from or arise out of any action or inaction subsequent to the Closing Date of Purchaser or any director, officer, employee, agent, representative, independent contractor, or subcontractor of Purchaser; provided that this indemnity in no way extends to any liability of an Indemnified Seller Party with respect to any obligation incurred prior to the Closing Date by any Indemnified Seller Party not expressly assumed by Purchaser; or

(iii) any misrepresentation, breach of warranty, or nonfulfillment of any agreement or covenant on the part of Purchaser under this Agreement, or from any misrepresentation in or omission from any certificate, schedule, document, or instrument furnished to Seller pursuant hereto or in connection with the negotiation, execution or performance of this Agreement; and

(b) Any and all actions, suits, claims, proceedings, investigations, demands, assessments, audits, fines, judgments, costs, and other expenses (including, without limitation, legal fees and expenses) incident to any of the foregoing or to the enforcement of this Section 7.2.

7.3 Payment. Upon the determination of the amount of any liability of an indemnifying party under Sections 7.1 or 7.2 hereof, the indemnifying party shall pay to the indemnified party within ten days after such determination, the amount of any claim for indemnification made hereunder. If the indemnified party is not paid in full for any such claim, it shall have the right, notwithstanding any other rights that it may have against any person, firm or corporation, to set off the unpaid amount of any such claim against any amounts owed by it (including, but not by way of limitation, in the case of Purchaser against any amount payable under Section 2.3. above but excluding any amount owed to Seller as a shareholder of Purchaser with respect to dividends, distributions, and the like). Notwithstanding any other provision of this Agreement, Seller and Shareholders shall have no liability for any claim (i) based on the physical condition of any Assets consisting of tangible personal property unless Seller is notified of such claim in writing within ten days following the Closing Date or (ii) based on Section 3.7 above unless Seller is notified of such claim in writing within six months following the Closing.

7.4 Arbitration.

(a) All disputes under this Article VII shall be settled by arbitration in Atlanta, Georgia, before three arbitrators pursuant to the rules of the American Arbitration Association. Each party shall select one arbitrator and the two arbitrators shall select a third. Arbitration may be commerced at any time by any party hereto giving written notice to each other party to a dispute that such dispute has been referred to arbitration under this Section 7.4. Any award rendered by the arbitrator shall be conclusive and binding upon the parties hereto; provided, however, that any such award shall be accompanied by a written opinion giving the reasons for the award. This provision for arbitration shall be specifically enforceable by the parties and the decision of the arbitrators in accordance herewith shall be final and binding and there shall be no right of appeal therefrom. Each party shall pay its own expenses of arbitration and the expenses of the arbitrators shall be equally shared; provided, however, that if in the opinion of the arbitrators any claim for indemnification or any defense or objection thereto was unreasonable, the arbitrators may assess, as part of their award, all or any part of the arbitration expenses of the other party (including reasonable

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attorneys' fees) and of the arbitrators against the party raising such unreasonable claim, defense or objection.

(b) To the extent that arbitration may not be legally permitted hereunder and the parties to any dispute hereunder may not at the time of such dispute mutually agree to submit such dispute to arbitration any party may commence a civil action in a court of appropriate jurisdiction to solve disputes hereunder.

7.5 Other Rights and Remedies Not Affected. The indemnification rights of the parties under this Article VII are independent of and in addition to such rights and remedies as the parties may have at law or in equity or otherwise for any misrepresentation, breach of warranty or failure to fulfill any agreement or covenant hereunder on the part of any party hereto, including without limitation the right to seek specific performance, rescission or restitution, none of which rights or remedies shall be affected or diminished hereby.

ARTICLE VIII - POST CLOSING MATTERS

8.1 Employee Benefits. Seller shall pay directly to each employee of Seller that portion of all salaries, wages, and benefits (including the arrangements, plans and programs set forth in SCHEDULE 3.19) which has been accrued on behalf of that employee (or is attributable to expenses properly incurred by that employee) as of the Closing Date, and Purchaser shall assume no liability therefor. No portion of the assets of any plan, fund, program or arrangement, written or unwritten, heretofore sponsored or maintained by Seller (and no amount attributable to any such plan, fund, program or arrangement) shall be transferred to Purchaser, and Purchaser shall not be required to continue any such plan, fund, program or arrangement after the Closing Date. The amounts payable on account of all benefit arrangements (other than as specified in the following subsections) shall be determined with reference to the date of the event by reason of which such amounts become payable, without regard to conditions subsequent, and Purchaser shall not be liable for any claim for insurance, reimbursement or other benefits payable by reason of any event which occurs prior to the Closing Date. All amounts payable directly to employees, or to any fund, program, arrangement or plan maintained by Seller therefor shall be paid by Seller on the Closing Date to the extent that such payment is not inconsistent with the terms of such fund, program, arrangement or plan. All employees of Seller who are employed by Purchaser on or after the Closing Date shall be new employees of Purchaser and any prior employment by Seller of such employees shall not affect entitlement to, or the amount of, salary or other cash compensation, current or deferred, which Purchaser may make available to its employees.

8.2 Nonsolicitation. As of the Closing Date, Purchaser shall offer employment to, and Seller shall use its best efforts to assist Purchaser in employing as new employees of Purchaser, all persons presently engaged in the Business who are identified by Purchaser prior to the Closing Date (the "Employees"). Seller shall terminate effective as of the Closing Date all employment agreements it has with any of the Employees. Until the second anniversary of the Closing Date, Seller and Shareholders shall not directly or indirectly solicit or offer employment to any Employee, (i) who is then an employee of Purchaser, or (ii) who has terminated such employment without the consent of Purchaser within 180 days of such solicitation or offer.

8.3 Noncompete Agreement.

(a) For a period of five years following the Closing, none of Seller or either of the Shareholders shall, directly or indirectly, manage, operate, control, or participate in the management, operation, or control of any business that operates, manages, controls, or owns one or more competing restaurants in the Territory, whether as an officer, director, employee, consultant, partner, shareholder, sole proprietor, trustee, or otherwise. A "competing restaurant" means a full-service casual dining restaurant with full bar service, such as Applebee's Neighborhood Grill & Bar, Bennigan's, Chili's, Olive Garden, Ruby Tuesday's, Houlihan's, and the like.

(b) As used in this Section, "Territory" means the area covered by that certain Development Agreement by and among Franchisor, Seller, and the Shareholders.

(c) The parties hereto specifically acknowledge and agree that the remedy at law for any breach of the foregoing covenant not to compete will be inadequate and that the Purchaser, in addition to any other relief available to it, shall be entitled to temporary and permanent injunctive relief without the necessity of proving actual damage.

(d) If the scope of this Section should ever be deemed to exceed the limitation provided by applicable law, then the parties hereto agree that such provisions shall be reformed to set forth the maximum limitations permitted.

8.4 Discharge of Business Obligations. From and after the Closing Date Seller shall pay and discharge, in accordance with past practice but not less than on a timely basis, all obligations and liabilities incurred prior to the Closing Date in respect of the Business, its operations or the assets and properties used therein (except for those expressly assumed by Purchaser hereunder), including without limitation any liabilities or obligations to employees, trade creditors and clients of the Business.

8.5 Transfer of Shares. Seller shall not sell, transfer, assign, pledge, hypothecate, or otherwise dispose of the Shares or any interest therein in contravention of the restrictions on transfer described in Section 3.20 above. Seller may transfer the Shares to the Shareholders provided that they execute such documents necessary to comply with federal and state securities laws.

8.6 Escrow.

(a) Purchaser and Seller shall open a bank account which shall require the signature of a designated representative of each of Purchaser and Seller in order to disburse funds from such account. The cash amount due to Seller pursuant to Section 2.3 shall be deposited into this joint account at the time of Closing. The funds in this account shall first be used to pay those debts (the "Debts") of Seller which (i) are listed on the list of creditors delivered to Purchaser in accordance with Fla. Stat. § 676.104 or (ii) filed by a creditor in writing at the place specified in the notice to Seller's creditors prescribed by Fla. Stat. § 676.107 within thirty days following the mailing by Purchaser of the notice. Upon the expiration of such thirty-day period, Purchaser shall promptly deliver to Seller a list of the Debts, and Purchaser and Seller shall (i) promptly pay out of such account on behalf of Seller those Debts which are not disputed, (ii) maintain in the account the amount of any Debt that is disputed by Seller, and (iii) deliver a check payable to Seller (the "First Check") in an amount equal to forty percent of the Purchase Price less (A) the amount of Debts paid out of such account, (B) the amount of any Debt disputed by Seller, and (C) the amount of any claim by Purchaser pursuant to Article VII above.

(b) Thirty days following the Closing Date, Purchaser and Seller shall deliver a second check drawn on the account to Seller (the "Second Check") in the amount of five percent of the Purchase Price less (A) the amount of any Debt paid out of the account, (B) the amount of any disputed Debt and (C) the amount of any claim by Purchaser pursuant to Article VII above, but the amount of such Debt, disputed Debt, or claim shall be subtracted only to the extent that such amount was not subtracted in calculating the amount of the First Check.

(c) Six months following the Closing Date, Purchaser and Seller shall deliver a third check drawn on the account to Seller (the "Third Check") in the amount of five percent of the Purchase Price plus any interest earned on the funds in the account less (A) the amount of any Debt paid out of the account, (B) the amount

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of any disputed Debt, and (C) the amount of any claim by Purchaser pursuant to Article VII above; provided, however, that the amount of any such Debt, disputed Debt, or claim shall be subtracted only to the extent that such amount was not subtracted in calculating the amount of the First Check or the Second Check.

(d) The amount of any disputed Debt shall be maintained in the account until the dispute is resolved between Seller and the creditor and they jointly direct, or a court directs, Purchaser as to the disposition of such amount. The amount of any claim by Purchaser per Article VII above shall remain in the account until Seller's liability therefor is determined by agreement of Purchaser and Seller or by arbitration pursuant to Section 7.5, whereupon such amount shall be paid out as determined by such agreement or arbitration.

(e) If the total amount of the Debts exceeds the amount deposited into the account by Purchaser pursuant to Section 2.3, then Purchaser and Seller shall apply the funds in the account against the Debts pro rata. Seller shall promptly pay the balance of the Debts and shall provide proof of payment thereof to Purchaser. The Shares shall continue to be held in escrow as security for the payment of the Debts until (i) all Debts have been paid and satisfactory evidence of payment is delivered to Purchaser, or (ii) Purchaser and Seller enter into a mutually agreeable plan for the sale of a number of Shares sufficient to satisfy the Debts and the application of the proceeds for such purpose.

(f) Purchaser shall act hereunder to disburse consideration owed to Seller in payment of the Debts in accordance with the provisions of the Uniform Commercial Code - Bulk Transfers. Purchaser shall not be deemed by reason of this Section 8.6 to have assumed the Debts.

8.7 Registration of Shares.

(a) Upon the receipt within twenty-one months from the Closing Date of written request (the "Notice") from the Seller or from any Shareholder that the Purchaser file a registration statement under the Securities Act covering the Shares, then Purchaser shall file a registration statement on Form S-1 (the "Registration Statement") covering the Shares with the Securities and Exchange Commission within sixty days following the receipt of such notice and shall use its best efforts to cause such registration statement to become effective. Purchaser shall bear the expense of the registration of the Shares. Any brokerage or sales commissions shall be borne by Seller.

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(b) Seller shall sell the Shares as soon as practicable following the effective date of the Registration Statement.

(c) Immediately following the sale of the Shares, Purchaser shall pay to Seller an amount determined by multiplying (A) the amount by which the average closing sales price per share of Purchaser's common stock, as reported by NASDAQ, for the ten trading days immediately preceding the date of the Notice (the "First Price") exceeds the average closing sales price per share for the ten trading days immediately preceding the effective date of the Registration Statement (the "Second Price") by (B) the number of Shares registered. Conversely, if the Second Price exceeds the First Price, Seller shall pay to Purchaser the difference between the Second Price and the First Price multiplied by the number of Shares.

ARTICLE IX - MISCELLANEOUS

9.1 Brokers' and Finders' Fees.

(a) Seller represents and warrants to Purchaser that all negotiations relative to this Agreement have been carried on by it directly without the intervention of any person, who may be entitled to any brokerage or finder's fee or other commission in respect of this Agreement or the consummation of the transactions contemplated hereby, and Seller agrees to indemnify and hold harmless Purchaser against any and all claims, losses, liabilities and expenses which may be asserted against or incurred by it as a result of Seller's dealings, arrangements or agreements with any such person.

(b) Purchaser represents and warrants that all negotiations relative to this Agreement have been carried on by it directly without the intervention of any person, who may be entitled to any brokerage or finder's fee or other commission in respect of this Agreement or the consummation of the transactions contemplated hereby, and Purchaser agrees to indemnify and hold harmless Seller against any and all claims, losses, liabilities and expenses which may be asserted against or incurred by it as a result of Purchaser's dealings, arrangements or agreements with any such person.

9.2 Sales, Transfer and Documentary Taxes, etc. Seller shall pay all federal, state and local sales, documentary and other transfer taxes, if any, due as a result of the purchase, sale or transfer of the Assets in accordance herewith whether imposed by law on Seller or Purchaser and Seller shall indemnify, reimburse and hold harmless Purchaser in respect of the liability for payment of or failure to pay any such taxes or the filing of or failure to file any reports required in connection therewith.

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9.3 Expenses. Each party hereto shall pay its own expenses incidental to the preparation of this Agreement, the carrying out of the provisions of this Agreement and the consummation of the transactions contemplated hereby.

9.4 Contents of Agreement; Parties in Interest; etc. This Agreement sets forth the entire understanding of the parties hereto with respect to the transactions contemplated hereby. It shall not be amended or modified except by written instrument duly executed by each of the parties hereto. Any and all previous agreements and understandings between or among the parties regarding the subject matter hereof, whether written or oral, are superseded by this Agreement.

9.5 Assignment and Binding Effect. This Agreement may not be assigned prior to the Closing by any party hereto without the prior written consent of the other parties. Subject to the foregoing, all of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and assigns of Shareholders, Seller and Purchaser.

9.6 Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted hereunder shall be in writing and shall be deemed given only if delivered personally or sent by telecopy or by registered or certified mail, postage prepaid, as follows:

If to Purchaser, to:

Apple South, Inc.
Hancock at Washington
Madison, Georgia 36050
Attention: Tom E. DuPree, Jr.

With a required copy to:

Booth, Wade & Campbell
Cumberland Center II
Suite 1500, 3100 Cumberland Circle
Atlanta, Georgia 30339-5939

Attention: Larry D. Ledbetter

If to Seller or Shareholders, to:

Mr. Lynn B. Zody
MAZ Enterprises
P. O. Box 2507
Aiken, South Carolina 29802

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Zee-Dee Restaurants, Inc.
5569-3 Bowden Road
Jacksonville, Florida 32216

Attention: Mr. Joe W. Dunkin

With required copies to:

Kopelousos, Head, Smith, Townsend & Metcalf
Suite A
1329 Kingsley Avenue
P. O. Box 855
Orange Park, Florida 32073

Attention: Robert J. Head, Jr., Esq.

Jensen & Hould
708 North Third Street
Jacksonville, Florida 32216

Attention: Stephen A. Hould, Esq.

or to such other address as the addressee may have specified in a notice duly given to the sender as provided herein. Such notice, request, demand, waiver, consent, approval or other communication will be deemed to have been given as of the date actually delivered, or if mailed, three days after deposit in the U. S. Mail properly addressed with adequate first class postage affixed.

9.7 Florida Law to Govern. This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the State of Florida.

9.8 Headings. All section headings contained in this Agreement are for convenience of reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement. Any reference to a "person" herein shall include an individual, firm, corporation, partnership, trust, governmental authority or body, association, unincorporated organization or any other entity.

9.9 Schedules and Exhibits. All Exhibits and Schedules referred to herein are intended to be and hereby are specifically made a part of this Agreement.

9.10 Severability. Any provision of this Agreement which is invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any

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jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9.11 Guarantee. The Shareholders hereby jointly and severally and unconditionally guarantee to Purchaser and its affiliates the full and timely performance of all of the obligations and agreements of Seller. The foregoing guarantee shall include the guarantee of the payment of all damages, costs and expenses which might become recoverable as a result of the nonperformance of any of the obligations or agreements so guaranteed or as a result of the nonperformance of this guarantee. Any guaranteed person may, at its option, proceed against any Shareholder for the performance of any such obligation or agreement, or for damages for default in the performance thereof, without first proceeding against any other party or against any of its properties. The Shareholders further agree that their guarantee shall be an irrevocable guarantee and shall continue in effect notwithstanding any extension or modification of any guaranteed obligation, any assumption of any such guaranteed obligation by any other party, or any other act or thing which might otherwise operate as a legal or equitable discharge of a guarantor and Shareholders hereby waive all special suretyship defenses and notice requirements.

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IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the date first written.

SELLER:

ATTEST:

ZEE-DEE RESTAURANTS, INC.

By: Robin Stapelfeld

By: Joe W Dunkin

PURCHASER:

ATTEST:

APPLE SOUTH, INC.

By: ______________________

By: ______________________

SHAREHOLDERS:

Joe W Dunkin

Joe W. Dunkin

Martha A. Dunkin

Martha A. Dunkin

____

Lynn B. Zody

____

Caroline R. Zody

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the date first written.

SELLER:

ATTEST:

ZEE-DEE RESTAURANTS, INC.

By: ______________________

By: ______________________

PURCHASER:

ATTEST:

APPLE SOUTH, INC.

By: ______________________

By: ______________________

SHAREHOLDERS:

____
Joe W. Dunkin

____
Martha A. Dunkin

____
Lynn B. Zody

Caroline R. Zody
____
Caroline R. Zody

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the date first written.

SELLER:

ATTEST:

ZEE-DEE RESTAURANTS, INC.

By: ______________________

By: ______________________

PURCHASER:

ATTEST:

APPLE SOUTH, INC.

By: ______________________

By: ______________________

SHAREHOLDERS:

____
Joe W. Dunkin

____
Martha A. Dunkin

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Lynn B. Zody

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Caroline R. Zody

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WASH, D.C. SECTION

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Mark one
(X)

Q-36171

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended April 30, 1992

or

Transition Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

RECD S.E.C.
JUN 12 1992
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Commission File Number 33-23460-LA

AQUASEARCH, INC.
Exact Name of Registrant as Specified in its Charter

Colorado State or Other Jurisdiction of Incorporation or Organization	33-0034535 IRS Employer Identification Number
4350 Executive Drive, Suite 350 San Diego, California Address of Principal Executive Offices	92128 Zip Code

(619) 458-0011
Registrant's Telephone Number,
Including Area Code

Not Applicable
Former Name, Former Address and Former Fiscal
Year, if Changes Since Last Report

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

The number of shares outstanding of Registrant's common stock, $0.0001 par value at April 30, 1992 was 17,038,162 shares.

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AQUASEARCH, INC.

April 30, 1992 (Unaudited)

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STATEMENTS OF LOSS AND ACCUMULATED DEFICIT 3

STATEMENTS OF CASH FLOWS 4

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Holscher & Company
Certified Public Accountants

Item 1. Financial Statements

ACCOUNTANTS' REPORT

To The Board of Directors
of Aquasearch, Inc.
San Diego, California

The accompanying balance sheet of Aquasearch, Inc. as of April 30, 1992, and the related statements of loss and accumulated deficit and cash flows for the six months ended April 30, 1992 and 1991 were not audited by us; therefore, we do not express an opinion on them.

Aurora, Colorado
June 9, 1992

Holscher & Company

Paul F. Holscher, C.P.A.
9851 South Parker Road
[illegible]

Aquasearch, Inc.
BALANCE SHEETS

	April 30 1992 (Unaudited)	October 31, 1991 (audited)
ASSETS		
CURRENT ASSETS		
Cash	$ 17,226	$ 20,741
Prepaid expenses	1,517	1,518
Total current assets	18,743	22,259
OFFICE EQUIPMENT - AT COST	-	-
Less accumulated depreciation	-	-
Net office equipment	-	-
OTHER ASSETS		
Organization costs (net)	-	-
Total assets	$ 18,743	$ 22,259
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable - related parties	$ 29,000	$ 29,000
Accounts payable	50,199	10,077
Accounts payable - related parties	-	-
Payroll taxes payable	492	1,867
Accrued payroll	600	3,549
Accrued interest	1,865	417
Deposits payable	-	-
Total current liabilities	82,156	44,910
STOCKHOLDERS' EQUITY		
Common stock, $0.0001 par value, 50,000,000 shares authorized; 17,004,162 shares issued and outstanding October 31, 1991, 17,038,162 issued and outstanding January 31, 1992	3,324	3,321
Additional paid-in capital	676,195	674,585
Accumulated deficit	(742,932)	(700,557)
Total stockholders' equity (deficit)	(63,413)	(22,651)
Total liabilities and stockholders' equity	$ 18,743	$ 22,259

The accompanying notes are an integral part of the financial statements.

Aquasearch, Inc.
STATEMENTS OF LOSS AND ACCUMULATED DEFICIT

	For the three months ended April 30, 1992 (unaudited)	For the six months ended April 30, 1992 (unaudited)	For the three months ended April 30, 1991 (Unaudited)	For the six months ended April 30, 1991 (Unaudited)
Revenues	$ -	$ -	$ -	$ -
Prototype expenses				
Materials	302	1,429	11,629	14,999
Labor	-	8,117	21,180	40,467
Equipment rental	-	594	-	28,227
Travel	-	468	-	-
Miscellaneous	14	1,241	1,722	2,728
Total prototype expenses	316	11,849	34,531	86,421
Gross profit (loss)	(316)	(11,849)	(34,531)	(86,421)
Other expenses (income)				
Interest income		-	(1,467)	(4,241)
Advertising		-	656	656
Rent		1,120	3,393	4,723
Office expense	145	638	1,513	2,160
Officers salaries		-	6,600	13,200
Dues and subscriptions		-	-	815
Amortization		-	100	200
Consultants	1,500	2,105	-	-
Consultants - related parties		-	4,400	9,600
Depreciation		-	450	793
Interest expense	725	1,450		
Legal & accounting	16,100	21,651	8,832	16,146
Taxes		800	-	668
Workers compensation		208	1,531	3,187
Travel		-	-	-
Payroll taxes	337	2,122	2,129	4,400
Stock transfer fees	39	432	1.147	2,529
Miscellaneous		-	103	120
Total other expenses	18,866	30,526	29,387	54,956
Net loss	(19,182)	(42,375)	(63,918)	(141,377)
Accumulated deficit				
Balance, beginning of period	(723,750)	(700,557)	(526,615)	(449,156)
Balance, end of year	$ (742,932)	$ (742,932)	$ (590,533)	$ (590,533)
Loss per share	$ (Nil)	$ (Nil)	$ (Nil)	$ (0.01)
Weighted average shares outstand	17,038,162	17,038,162	16,589,162	16,589,162

The accompanying notes are an integral part of the financial statements.

Aquasearch, Inc.
STATEMENTS OF CASH FLOWS

	For the six months ended April 30, 1992 (Unaudited)	For the six months ended April 30, 1991 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (42,375)	$ (141,377)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization	-	200
Depreciation	-	793
Expenses paid with common stock	1,614	500
Changes in current liabilities	37,246	(588)
Cash used by operating activities	(3,515)	(140,472)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(2,341)
Cash used by investing activities	-	(2,341)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock	-	-
Increase in notes payable	-	-
Offering costs	-	-
Cash provided by financing activities	-	-
Net increase in cash	(3,515)	(142,813)
Cash - beginning of period	20,741	218,899
Cash - end of period	$ 17,226	$ 76,086
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$ -	$ -
Income taxes	$ 800	$ -

The accompanying notes are an integral part of the financial statements.

Aquasearch, Inc.
NOTES TO FINANCIAL STATEMENTS
January 31, 1992 (Unaudited)

1. Exercise of common stock purchase warrants
   As of April 30, 1992, there were 3,348,000 Class B warrants issued and outstanding. No Class B warrants were exercised during the three months ended April 30, 1992. The Class B warrants are exercisable at $1 per share. The exercise period for the Class B warrants will expire on March 15, 1992 unless extended by the Board of Directors.

2. Management's representations of interim financial information
   These financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results of operations for the interim period presented. These adjustments are of a normal and recurring nature.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Capital resources: As shown in the financial statements, the Company's capital resources have been exhausted. In order to continue in operation, the Company is pursuing a variety of potential sources of funds for continued operation, encompassing U.S. government grants and contracts, and joint venture opportunities in the private sector.

Results of operations: To date, the Company's operations have focused on the construction of prototype units for the growth of algal products and refinements to these prototype units. The Company has not made any sales either in the units themselves or in the products. The Company's $42,400 net loss for the quarter ended April 30, 1992 reflects a decrease of approximately $20,000 over the quarter ended April 30, 1991. This decrease is due primarily to the Company's lack of funds. Prototype spending decreased by approximately $34,000 over the previous year's quarter ended April 30, 1991. Other general and administrative expenses for the quarter ended April 30, 1992 decreased $10,000 from the amount spent in the quarter ended April 30, 1991.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports of Form 8-K.

a) Exhibits. None.

b) Reports on Form 8-K. None.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

AQUASEARCH, INC.

Dated: 1/11/92

By: Tana Alcalay
Tana Alcalay, Secretary

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Q-361603

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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FORM 10-Q

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For Three Months Ended March 31, 1992	Commission File Number No. 0-9247

AUTO-TROL TECHNOLOGY CORPORATION
(Exact name of registrant as specified in its charter)

COLORADO	84-0515221
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

12500 North Washington Street, Denver, Colorado	80241-2400
(Address of principal executive offices)	(Zip Code)

(303) 452-4919
(Registrant's telephone number, including area code)

N/A
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

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Number of shares of common stock outstanding as of May 1992: 6,837,418

MAY 18 1992

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AUTO-TROL TECHNOLOGY CORPORATION

REPORT TO THE SECURITIES AND EXCHANGE COMMISSION ON FORM 10-Q

FOR THE SIX MONTHS ENDED MARCH 31, 1992

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PART I - FINANCIAL INFORMATION

ITEM I - FINANCIAL STATEMENTS
AUTO-TROL TECHNOLOGY CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands, except per share amounts)
(Unaudited)

	Three months ended March 31		Six months ended March 31	
	1992	1991	1992	1991
Revenues:				
Sales	$ 8,292	$ 9,771	$16,409	$18,138
Service	7,113	7,555	14,147	14,681
Total Revenues	15,405	17,326	30,556	32,819
Cost of Revenues:				
Sales	4,134	4,530	7,886	8,388
Service	3,209	3,061	6,077	6,300
Total Cost of Revenues	7,343	7,591	13,963	14,688
Gross Profit	8,062	9,735	16,593	18,131
Research and product development	2,610	2,374	5,142	4,705
Marketing, general and administrative	7,944	8,682	15,669	17,290
	10,554	11,056	20,811	21,995
Loss from operations	(2,492)	(1,321)	(4,218)	(3,864)
Interest income	46	106	106	208
Interest expense	129	38	230	179
Loss before income taxes	(2,575)	(1,253)	(4,342)	(3,835)
Income taxes	7	0	76	0
Net loss	$(2,582)	$(1,253)	$(4,418)	$(3,835)
Loss per share	$ (.39)	$ (.18)	$ (.66)	$ (.56)
Weighted average number of shares outstanding	6,696	6,833	6,695	6,828

See Notes to Consolidated Financial Statements

AUTO-TROL TECHNOLOGY CORPORATION
CONSOLIDATED BALANCE SHEETS
ASSETS
(in thousands)

	March 31, 1992 (Unaudited)	September 30, 1991 (Audited)
Current assets:		
Cash and cash equivalents	$ 2,308	$ 3,293
Accounts receivable, net of allowance of $259 and $392	13,237	11,287
Inventories	1,139	1,483
Service parts and prepaid expenses	1,516	1,020
Total current assets	18,200	17,083
Property, facilities and equipment:		
Land	355	355
Building and improvements	8,015	8,015
Machinery and equipment	19,044	18,652
Furniture, fixtures and leasehold improvements	1,249	1,398
	28,663	28,420
Less accumulated depreciation and amortization	(17,378)	(15,976)
	11,285	12,444
Non-current service parts	254	282
Purchased software, net of accumulated amortization of $632, and $553	542	338
Other long-term assets	218	213
	$30,499	$30,360

See Notes to Consolidated Financial Statements

AUTO-TROL TECHNOLOGY CORPORATION
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND COMMON STOCK AND OTHER SHAREHOLDERS' EQUITY
(in thousands)

	March 31, 1992 (Unaudited)	September 30, 1991 (Audited)
Current liabilities:		
Note payable-related party	$ 3,150	$ 500
Current portion of long-term debt	1,042	1,042
Accounts payable	5,643	3,983
Interest payable	131	60
Income tax payable	388	263
Unearned service revenue and customer deposits	1,477	1,549
Other liabilities	2,156	1,855
Accrued compensation and related taxes	958	976
Total current liabilities	14,945	10,228
Long-term debt	2,880	2,880
Deferred tax	500	500
Total liabilities	18,325	13,608
Shareholders' Equity:		
Common Stock, $.01 par value authorized 10,000,000 shares; issued and outstanding 6,853,222 shares and 6,850,322 shares	69	68
Additional paid-in capital	46,811	46,806
Cumulative currency translation adjustments	179	345
Accumulated deficit	(34,569)	(30,151)
Treasury Stock, 155,2[illegible]0 common shares at cost	(316)	(316)
Total shareholders' equity	12,174	16,752
	$30,499	$30,360

See Notes to Consolidated Financial Statement

AUTO-TROL TECHNOLOGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW

	Six months ended March 31,	
	1992	1991
	(in thousands)	
Cash flow from operating activities:		
Net loss	$(4,418)	$(3,835)
Adjustments to reconcile net loss to net cash (used) provided by operating activities:		
Depreciation and amortization	2,435	2,895
Loss (gain) on disposal property, facilities and equipment	118	(24)
Provision for inventory obsolescence and shrinkage	39	117
(Increase) decrease receivables	(2,002)	2,242
(Increase) decrease inventories	298	(1,376)
Increase prepaids and current service parts	(503)	(273)
Increase accounts payable	1,639	446
Increase (decrease) interest payable	71	(156)
Increase (decrease)income tax payable	125	(5)
Increase (decrease) unearned service revenue and customer deposits	(72)	958
Increase (decrease) other liabilities	288	(249)
Decrease accrued compensation and related taxes	(18)	(77)
Net cash (used) provided by operating activities	(1,999)	663
Cash flow from investing activities:		
Capital expenditures	(1,526)	(1,756)
Proceeds from sale of property, facilities and equipment	195	292
Increase of non-current service parts and other long-term assets	(276)	(217)
Net cash used by investing activities	(1,608)	(1,681)
Cash flow from financing activities:		
Proceeds from issuance of note on payable-related party	2,650	
Payments on long-term debt	0	(1,930)
Proceeds from issue of common stock	6	20
Payments to acquire common stock	0	(304)
Net cash provided (used) by financing activities	2,656	(2,214)
Effect of exchange rate changes on cash	(34)	41
Net decrease in cash and cash equivalents	(985)	(3,191)
Cash and cash equivalents at the beginning of the period	3,293	4,758
Cash and cash equivalents at the end of the period	$ 2,308	$ 1,567
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 125	$ 335
Income taxes	0	0

See Notes to Consolidated Financial Statement

AUTO-TROL TECHNOLOGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 1992 AND 1991

A. Accounting Policies

The financial statements should be read in conjunction with the Annual Report to shareholders for the period ended September 30, 1991. The accounting policies utilized in the preparation of the financial statements herein presented are the same as set forth in the Company's annual financial statements except as modified for appropriate interim accounting policies.

B. Income Taxes

1) Provision for Income Taxes

The components of the current provisions for income taxes are as follows:

	Six Months Ended March 31,	
	1992	1991
US federal taxes (including alternative minimum tax)	$ 0	$ 0
Foreign	76,000	0
State (before federal tax benefit)	0	0
Current tax provision	$ 76,000	0

No provision was required for deferred taxes because the Company has no additional net deferred tax liability.

The following table indicates the amount of the Company's pre-tax accounting income (loss) from continuing operations that was contributed by United States and foreign operations:

8. **Income Taxes (continued)**

	Six Months Ended March 31, 1992	Six Months Ended March 31, 1991
United States	$(4,622,000)	$(2,963,000)
Foreign (includes losses of $31,000 and $199,000 respectively for 1992 and 1991 from the Australian branch of the US parent company which effects US federal taxable income)	204,000	(872,000)
	$(4,418,000)	$(3,835,000)

The following table provides a reconciliation of hypothetical income taxes computed at applicable US federal statutory rates to the reported provision for income taxes on continuing operations:

	Six Months Ended March 31, 1992	Six Months Ended March 31, 1991
Expected federal income tax rate	(34.0)%	(34.0)%
Adjustment of expected benefit due to lack of earnings to offset current losses	34.0	34.0
Foreign income taxes	1.7	0
	1.7%	0%

Income taxes have been computed based on the estimated annual effective tax rate for the year ended September 30, 1992. Income taxes for the period ended March 31, 1992 arose in relation to profitable Canadian operations.

C. Common Stock and Other Shareholders' Equity

	Common Stock		Additional paid-in capital	Cumulative currency translation adjustments	Deficit	Treasury Stock	Total
	Shares	Amount					
			(in thousands except number of shares)				
Balance, September 30, 1991	6,850,322	$ 68	$46,806	$ 345	$(30,151)	$ (316)	$16,752
Stock issued under stock compensation and benefits plans	2,900	1	5				6
Change in cumulative currency translation adjustments				(166)			(166)
Net loss					(4,418)		(4,418)
Balance, March 31, 1992	6,853,222	$ 69	$46,811	$ 179	$(34,569)	$ (316)	$12,174

D. Loss per Share

Loss per share is computed on the basis of the weighted average number of shares outstanding and is adjusted, if applicable for common stock equivalents. At March 31, 1992 and 1991, the weighted average number of shares outstanding includes no weighted common stock equivalent shares because their effect would be antidilutive.

The financial information herein furnished reflects all adjustments which are, in the opinion of management, necessary to a fair statement of the results of the interim periods.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS:

Three months ended March 31, 1992 compared to three months ended March 31, 1991.

Total revenue for the second quarter ended March 31, 1992 decreased 11.1% from the corresponding quarter of 1991. Domestic revenue decreased *21.6%, Canadian revenue decreased 25.5% while European revenue increased* 30%. Service revenue for the quarter ended March 31, 1992 decreased 3.6% from the corresponding quarter of 1991. Other revenue of $769,000 has been reclassified from sales revenue to service revenue for the quarter ending March 31, 1991 because such categorization better reflects the source of the revenue. Other revenue of $1,287,000 is included in service revenue for the quarter ending March 31, 1992.

Cost of sales and cost of service decreased in the second quarter ended March 31, 1992 compared to the corresponding quarter of 1991. Total gross profit margins for the quarter ended March 31, 1992 were 52.3% compared to 56.2% for the quarter ended March 31, 1991.

Research and product development expenses increased 9.9% from the corresponding quarter of 1991 primarily due to improved identification and reporting of such expenses relating to the European and Canadian subsidiaries. Research and product development expenses also increased as a percentage of revenue to 16.9% for the quarter ended March 31, 1992 compared to 13.7% for the corresponding quarter of 1991 due to decreased sales and increased expenses.

Marketing, general and administrative expenses decreased 8.5% for the quarter ended March 31, 1992 compared to the corresponding quarter of 1991. Seventy six percent of this decrease is attributable cost cutting measuresin all operating areas of the company and twenty four percent in attributable to improved identification and reporting of research and product development relating to the European and Canadian subsidiaries.

Six months ended March 31, 1992 compared to six months ended March 31, 1991.

Total revenue for six months ending March 31, 1992 decreased 6.9% from the corresponding six months of 1991. Domestic revenue decreased 19.3%, Canadian revenue decreased 13.5% and European revenue increased 35% from the corresponding quarter of 1991. Sales revenue decreased 9.5% and service revenue decreased 3.6% from the corresponding six months of 1991. International operations experienced a 22.8% increase in service revenue compared to the first six months of 1991. Domestic operations experienced a decrease of 14.7% in service revenue compared to the corresponding quarter of 1991. Other revenue of $1,756,000 has been reclassified from sales revenue to service revenue for the six month period of 1991 because such categorization better relects the source of the revenue. Other revenue of $2,483,000 is included in service revenue for the six months ending March 31, 1992.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Cost of sales and cost of service decreased in the six months ending March 31, 1992 compared to the first six months of 1991. Gross profit margins on service revenues remained consistent. Gross profit margins on sales declined to 51.9% from 53.8% for the corresponding nine months of 1991,

Research and product development expenses increased 9.3% from the corresponding six months of 1991, and also increased as a percentage of revenues to 16.8% for the six months ended March 31, 1992 compared to 14.3% for the corresponding six months of 1991 due to decreased sales as well as improved identification and reporting of such expenses relating to the European and Canadian subsidiaries.

Marketing, general and administrative expenses decreased 9.4% in the six months ending March 31, 1992 from the corresponding six months of 1991. Domestic expenses decreased 8.5%, international and Canadian expenses decreased 10.8%. Marketing general and administrative expenses increased to 51.6% as a percentage of revenues for the six months of 1992 compared to 50.1% for the first six months of 1991 resulting from decreased sales.

The Company's expected income tax status is discussed in Note C to Consolidated Financial Statements.

FINANCIAL CONDITION

The Company's overall financial condition as of March 31, 1992 as measured by its net working capital, declined during the first six months due primarily to the $4.4 million loss in the first six months of 1992. Cash funds decreased to $2.3 million at March 31, 1992 from $3.3 million at September 30, 1991.

The Company believes funds on hand and funds to be provided by future operations will be adequate to serve its immediate liquidity needs under its business plan. However, should the Company incur significant future operating losses, it may be necessary to seek additional funding. Although the Company does not currently have specific arrangements in place, the Company believes it would be able to obtain sufficient additional funding through borrowings, reselling treasury stock or an additional stock issuance.

PART II - OTHER INFORMATION

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits. None.

(b) Reports on Form 8-K. None.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AUTO-TROL TECHNOLOGY CORPORATION
(Registrant)

Howard B. Hillman

Howard B. Hillman
Chairman of the Board
and President

Date: May 14, 1992

Gail E D Heinzman

Gail E.D. Heinzman
Secretary/Treasurer

Date: May 14, 1992

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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Form 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

6/13

For the quarter ended April 30, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File No. 0-17384

Boston Technology, Inc.

(Exact name of registrant as specified in its charter)

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JUN 12 1992

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Q-Data Corp. - St. Petersburg, FL

Delaware
(State or other jurisdiction of incorporation or organization)

04-3073385
(I.R.S. Employer Identification Number)

100 Quannapowitt Parkway
Wakefield, Massachusetts
(Address of principal executive offices)

01880
(Zip code)

Registrant's telephone number, including area code: (617) 246-9000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes X No_

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Securities	Shares Outstanding (as of June 9, 1992)
Common Stock, $.001 par value	22,668,139

Total Number of Pages: 9

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BOSTON TECHNOLOGY, INC.

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PART I

BOSTON TECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	April 30, 1992	January 31, 1992
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,676,000	$ 6,319,000
Short-term investments	1,612,000	–
Accounts receivable less allowance for doubtful accounts of $719,000 and $703,000, at April 30, 1992 and January 31, 1992, respectively	6,194,000	9,656,000
Income tax receivable	843,000	843,000
Net investment in sales type leases	678,000	651,000
Inventories	3,337,000	3,623,000
Prepaid expenses	584,000	514,000
Total current assets	21,924,000	21,606,000
Net investment in sales type leases	3,298,000	3,580,000
Property and equipment, net	5,874,000	6,230,000
Other assets	832,000	865,000
TOTAL ASSETS	$ 31,928,000	$ 32,281,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	164,000	143,000
Accounts payable	1,950,000	2,051,000
Accrued expenses	2,978,000	2,825,000
Deferred revenues	649,000	1,402,000
Income taxes payable	90,000	–
Total current liabilities	5,831,000	6,421,000
Long-term debt	328,000	343,000
Deferred rent payable	520,000	588,000
Stockholders' equity:		
Common stock, $.001 par value, 35,000,000 shares authorized; 22,645,839 and 22,583,949 shares issued and outstanding at April 30, 1992 and January 31, 1992, respectively	23,000	23,000
Additional paid-in capital	26,097,000	25,928,000
Retained deficit	(871,000)	(1,022,000)
Total stockholders' equity	25,249,000	24,929,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 31,928,000	$ 32,281,000

The accompanying notes are an integral part of the consolidated financial statements.

BOSTON TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three months ended April 30,	
	1992	1991
Revenues	$ 9,042,000	$ 11,273,000
Cost and expenses:		
Cost of revenues	3,040,000	4,703,000
Research and development	2,112,000	2,496,000
Marketing, general and administrative	3,733,000	3,390,000
	8,885,000	10,589,000
Income from operations	157,000	684,000
Interest income	87,000	280,000
Interest expense	(33,000)	(38,000)
	54,000	242,000
Income before provision for income taxes	211,000	926,000
Provision for income taxes	60,000	281,000
Net income	$ 151,000	$ 645,000
Net income per share	$ 0.01	$ 0.03
Weighted average number of common and common equivalent shares outstanding	22,956,000	22,864,000

The accompanying notes are an integral part of the consolidated financial statements.

BOSTON TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the three months ended April 30,	
	1992	1991
Cash flows from (used by) operating activities	$ 3,892,000	$ (2,663,000)
Cash flows from (used by) investing activities:		
Purchase of investments	(1,512,000)	(2,985,000)
Purchase of property and equipment	(155,000)	(1,288,000)
Payment for license agreements	–	(65,000)
Cash flows used by investing activities	(1,667,000).	(4,338,000)
Cash flows from (used by) financing activities:		
Principal payments under financing obligations	(37,000)	(57,000)
Proceeds from common stock options exercised	48,000	30,000
Proceeds from employee stock purchase plan	121,000	66,000
Cash flows from financing activities	132,000	39,000
Net increase (decrease) in cash and cash equivalents	2,357,000	(6,962,000)
Cash and cash equivalents at beginning of period	6,319,000	15,940,000
Cash and cash equivalents at end of period	$ 8,676,000	$ 8,978,000
Supplemental disclosures of cash flow information:		
Interest paid	$ 17,000	$ 23,000
Income taxes paid	16,000	894,000
Supplemental disclosures of non-cash financing activities:		
Assets acquired and obligations incurred under capital lease transactions	43,000	–

The accompanying notes are an integral part of the consolidated financial statements.

BOSTON TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Boston Technology, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the instructions to Form 10-Q. Accordingly, the consolidated financial statements do not include all information and footnote disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments consisting of normal recurring accruals necessary for a fair presentation of the consolidated results of operations and consolidated condensed statements of cash flows for the three months ended April 30, 1992 and 1991 and the consolidated balance sheet at April 30, 1992 have been made.

It is suggested that the financial statements contained herein be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended January 31, 1992.

The results for interim periods are not necessarily indicative of the results for the full fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments that mature ninety-one days to twelve months from the date of purchase are classified as short-term investments, and investments with maturities of greater than twelve months are included in other assets. At April 30, 1992, short-term investments are comprised of certificates of deposits and U.S. government obligations, and approximately $410,000 of U.S. government obligations are included in other assets. Investments are stated at cost, which approximates market value, and interest is recognized on an accrual basis.

Revenue Recognition

Revenue on application software development contracts is recognized when contract objectives are achieved.

3. INVENTORIES

Inventories at April 30, 1992 consist of:

Materials and purchased parts	$ 1,490,000
Work in process	1,408,000
Finished goods	439,000
	$ 3,337,000
	=======

ITEM 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

1. Material Changes in Financial Condition

Aggregate cash, cash equivalent and investments increased by $3,866,000 to $10,698,000 at April 30, 1992 as compared to $6,832,000 at January 31, 1992. This increase was due primarily to a decrease in accounts receivable over the same period, resulting from a greater concentration of shipments early in the quarter ended April 30, 1992, which allowed for collection prior to the end of the quarter. The Company anticipates that its cash, cash equivalents and investments along with cash generated from operations and existing credit facilities will be sufficient to meet the Company's cash requirements at least through January 31, 1993.

2. Material Changes in the Results of Operations

During the three months ended April 30, 1992, the Company recorded revenues of $9,042,000 compared to $11,273,000 during the corresponding period of fiscal 1992. The decline in revenues for the three months ended April 30, 1992 was due to decreased orders from the telephone company market. The Company believes this reduction in sales volumes was primarily the result of extended procurement approval processes by the Company's customers.

Although revenues decreased by 20% for the three months ended April 30, 1992 from the corresponding quarter in fiscal 1992, the Company's gross margin as a percentage of revenues increased to approximately 66% as compared to approximately 58% for the corresponding three month period in fiscal year 1992. Favorable product mix resulted in the proportionately lower percentage of cost of revenues. The Company's margins are also affected by customer mix and systems configuration.

Research and development expenses were $2,112,000 for the three months ended April 30, 1992, as compared to $2,496,000 for the corresponding period in fiscal year 1992, or a decrease of $384,000. This decrease resulted from a reduction in research and development staff as part of the Company's reorganization in fiscal year 1992. As a percentage of revenues however, research and development expenses increased slightly to 23% for the three months ended April 30, 1992, versus 22% for the corresponding period in fiscal year 1992, due primarily to a decrease in revenues during such period. This percentage increase overshadowed savings resulting from the Company's reductions in research and development staff levels as described above. As compared to the corresponding periods during fiscal year 1992, the Company expects research and development expenses to decline both in absolute numbers and as a percentage of revenue during the remainder of fiscal year ending January 31, 1993. Research and development expenses are incurred in advance of related revenues and in some cases will not generate revenues.

During the three months ended April 30, 1992, marketing, general and administrative expenses were $3,733,000, as compared to $3,390,000 in the corresponding period of fiscal year 1992. The increase in expenses in this area was primarily the result of several key appointments to the Company's senior management team, including the staffing and implementation of proposal and program management functions.

Net interest income for the three months ended April 30, 1992 was $54,000 as compared to $242,000 for the comparable period in fiscal 1992. The decline in interest income for the three months ended April 30, 1992 as compared to the corresponding period in fiscal year 1992 was attributable to lower average cash balances and lower investment yields.

PART II.

ITEM 1. *Legal Proceedings*

Not applicable.

ITEM 2. *Changes in Securities*

On May 13, 1992, the Board of Directors adopted, subject to stockholder approval, an amendment increasing the number of shares of Common Stock available for issuance under the 1989 Incentive Stock Option Plan (the "Plan"), as amended, from 2,400,000 to 3,500,000. This increase represents the Company's best estimate for the number of shares that will be needed through January 31, 1994 for the recruitment and retention of key employees. The Board of Directors also adopted, subject to shareholder approval, an amendment to the Plan authorizing the issuance of non-statutory options (in addition to incentive stock options) under the Plan.

ITEM 3. *Defaults upon Senior Securities*

Not applicable.

ITEM 4. *Submission of Matters to a Vote of Security Holders*

Not applicable.

ITEM 5. *Other Information*

Not applicable.

ITEM 6. *Exhibits and Reports on Form 8-K*

(a) **Exhibits**

None.

(b) **Reports on Form 8-K**

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Boston Technology, Inc.

Date: June 10, 1992

By:________________________
David S. Gergacz
President and Chief Operating Officer
(principal executive officer)

By:________________________
William J. Burke
Vice President of Finance, Chief
Financial Officer, Treasurer and
Secretary (principal financial officer)

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 0-8174

Conolog Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction or organization)

52-0853566
(I.R.S. Employer Identification No.)

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5 Columbia Road, Somerville, New Jersey 08876
(Address of principal executive offices)
(Zip Code)

908-722-8081
(Registrant's telephone number, including area code)

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rmer address and former fiscal year,
anged since last report)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ____ No ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, par value $.01 per share 4,346,274 (exclusive of Treasury stock)

Form 10-Q
Summarized Financial Information For
CONOLOG CORPORATION

In the opinion of management, the three-month and six-month comparative financial statements for January 31, 1992 and January 31, 1991 set forth herein reflect all adjustments (consisting only of normal recurring accruals) necessary to present fairly the results of operations for the unaudited periods.

Condensed Income Statements

		JANUARY 31, 1992		JANUARY 31, 1991 *	
		THREE MONTHS	SIX MONTHS	THREE MONTHS	SIX MONTHS
1.	Gross sales less discounts, returns and allowances	$ 869,447	$2,045,171	$1,058,704	$2,018,622
2.	Operating revenues	-	-	-	5,860
3.	Total of captions 1 and 2	869,447	2,045,171	1,508,704	2,024,482
4.	Costs and Expenses				
	(a) Cost of goods sold	399,987	1,125,904	681,141	1,354,627
	(b) Operating expense	-	-	-	-
	(c) Selling, general and administrative expenses	345,345	606,507	189,299	390,639
	(d) Interest expense	101,347	215,428	123,904	253,243
	(e) Other deductions, net	-	-	-	-
	Total costs and expenses	846,679	1,947,839	994,344	1,998,509
5.	Income before taxes on income and extraordinary items	22,768	97,332	64,360	25,973
6.	Provision for taxes on income (Note 4)	6,213	35,176	24,594	5,985
7.	Minority interest	-	-	-	-
8.	Income before extraordinary item	16,555	62,156	39,766	19,988
9.	Extraordinary item, reduction of income taxes arising from utilization of loss carryovers	6,213	35,151	24,594	5,960
10.	Net income	$ 22,768	$ 97,307	$ 64,360	$ 25,948
11.	Earnings per share - Primary	-	.02	.01	-
	Earnings per share - Fully Diluted (Note 1)	-	-	-	-
12.	Dividends per share	-	-	-	-

* Restated to reflect the extraordinary item resulting from the utilization of the net operating loss carryover.

Form 10-Q
Summarized Financial Information For
CONOLOG CORPORATION

	FOR THE SIX MONTHS ENDED JANUARY 31,	
	1992	1991
Computation of Earnings Per Share:		
Weighted Average Number of Shares Outstanding:		
Common stock	4,346,274	4,346,274
Reserve for Conversion:		
Series A Preferred Stock *155,000	-	-
Series B Preferred Stock (1 to 20 conversion factor)	426,420	426,420
Total	4,772,694	4,772,694
Primary Earnings Per Share:		
Total Earnings	$ 97,307	$ 25,948
Pro-Rata Dividends on Preferred Stock Series A and Series B	11,144	11,144
Net Earnings Available for Common Stock	$ 86,163	$ 14,804
Average Number of Shares of Common Stock	4,346,274	4,346,274
Primary Earnings Per Share	.02	-

* Each share of Series A Preferred Stock may be exchanged for one share of Common Stock upon surrender of the Preferred Stock and payments of $12 per share. In view of the large difference between the current market value of the stock and the conversion rate, these shares have not been added to the total common shares used in computing the net earnings per share.

III

Form 10-Q
Summarized Financial Information For
CONOLOG CORPORATION

BALANCE SHEET

		JANUARY 31, 1992	JULY 31, 1991
	Assets		
1.	**Current Assets**		
	(a) Cash and cash equivalents	$ 198,775	$ 297,867
	(b) Accounts receivable, less allowance of $20,000	469,909	222,250
	(c) Inventories	3,084,015	3,224,891
	(d) Other current assets	91,945	55,426
	Total Current Assets	3,844,644	3,800,434
2.	Property, Plant and Equipment, less accumulated depreciation of $1,736,935 and $1,694,735, respectively	576,805	574,233
3.	Other Assets	23,244	30,485
		$4,444,693	$4,405,152
	Liabilities and Stockholders' Equity		
4.	**Current Liabilities**		
	(a) Note payable - Bank (Note 2)	$1,050,000	$1,100,000
	(b) Current maturities of long-term debt (Note 2)	120,000	90,000
	(c) Current portion of capitalized lease obligations (Note 3)	81,348	55,528
	(d) Accounts payable	256,032	307,955
	(e) Other current liabilities	184,593	144,814
	Total Current Liabilities	1,691,973	1,698,297
5.	**Other Liabilities**		
	(a) Long-term debt, less current maturities (Note 2)	2,628,000	2,688,000
	(b) Capitalized lease obligations (Note 3)	78,248	69,690
		2,706,248	2,757,690
6.	**Stockholders' Equity**		
	(a) Preferred Stock, par value $.50; Series A; 4% cumulative; 162,000 shares authorized; 155,000 shares issued and outstanding	77,500	77,500
	(b) Preferred Stock, par value $.50; Series B; $.90 cumulative; 50,000 shares authorized; 21,321 shares issued and outstanding	10,661	10,661
	(c) Common Stock, par value $.01; authorized 6,000,000 shares; issued 5,223,870 shares (including 887,596 shares held in Treasury at January 31, 1992 and July 31, 1991)	52,239	52,239
	(d) Additional paid-in capital	952,994	952,994
	(e) Retained earnings (deficit)	(915,188)	(1,012,495)
	(f) Treasury shares, at cost	(131,734)	(131,734)
	Total Stockholders' Equity	46,472	(50,835)
		$4,444,693	$4,405,152

IV

Form 10-Q
Summarized Financial Information For
CONOLOG CORPORATION

STATEMENT OF CASH FLOWS

	FOR THE SIX MONTHS ENDED JANUARY 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 97,307	$ 25,948
Adjustments to Net Income to Reconcile to Net Cash Provided by Operating Activities:		
Depreciation and amortization	42,200	63,297
Increase in accounts receivable	(247,659)	(3,842)
Decrease in inventories	140,876	117,518
Increase in other current assets	(36,519)	(12,844)
Increase (decrease) in accounts payable	(51,923)	43,579
Increase (decrease) in other accrued expenses	39,779	(45,346)
Decrease in customer advances	-	(105,543)
Net Cash Provided by (Used in) Operating Activities	(15,939)	82,767
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(14,282)	(2,601)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds of short-term borrowings	50,000	50,000
Repayment of short-term borrowings	(100,000)	-
Repayments of long-term borrowings	(26,112)	(44,356)
Decrease in other assets	7,241	3,728
Net Cash Provided by Financing Activities	(68,871)	9,372
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(99,092)	89,538
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	297,867	41,724
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 198,775	$ 131,262
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period For:		
Interest	$ 209,533	$ 253,243
Income taxes	$ 50	$ 50
Noncash Investing Activities:		
Capital lease obligation incurred for the purchase of computer equipment	$ 30,490	$ -

Form 10-Q
Summarized Financial Information For
CONOLOG CORPORATION

Note 1 - Fully diluted earnings per share, assuming conversion of Series A and Series B Preferred Stock, has not been reflected as the effect would be anti-dilutive or not material.

Note 2 - Long-Term Debt:

On October 10, 1991, the Company restructured the existing loan agreement with the bank. The new agreement consists of a line of credit in the amount of $1,000,000, a secured note payable for $100,000, of which $50,000 was paid on August 31, 1991 and $50,000 was paid on October 31, 1991, and a term loan in the current amount of $2,778,000 payable in monthly installments as follows:

$5,000 per month from August, 1991 through January 31, 1992
$10,000 per month from February, 1992 through July, 1993
$20,000 per month from August, 1993 through July, 1994
$25,000 per month from August, 1994 through October, 1994
The balance of the loan is due on November 30, 1994

The interest rate on the line of credit, the secured note payable and the term loan is 3/4% over the prime rate of the bank. The interest may be increased to 2% over prime in the event of a default under the terms and conditions described in the agreement.

The line of credit, the secured note payable and the term loan are secured by substantially all accounts receivable, inventory, equipment, general intangibles, deposits and a mortgage on the Company's real property. The loans are guaranteed by the Company's president and vice president to the extent of $965,000 and $492,500, respectively. In addition, these officers have pledged all of their common and preferred Class B shares to the bank to secure their respective guarantees.

The term loan contains various covenants that limit the amounts of indebtedness, liens, contingent obligations, capital expenditures, dividends and stock acquisitions, investments, loans and advances, and leases. The covenants also prohibit mergers, consolidations, liquidation or dissolution, sale or lease of all or a substantial part of its property, business or assets, certain prepayments, sale and lease-back arrangements and subordinated debt.

The aggregate amounts of long-term debt maturities for the four years following January 31, 1992 are:

1993	$ 120,000
1994	180,000
1995	2,448,000
	$2,748,000

Form 10-Q
Summarized Financial Information For
CONOLOG CORPORATION

Note 3 - Capitalized Lease Obligations:

	JANUARY 31, 1992	JULY 31, 1991
Capital Lease Obligations:		
Leases payable	$ 159,596	$ 125,218
Less - Current portion	81,348	55,528
	$ 78,248	$ 69,690

Maturities on Capitalised Leases, subsequent to January 31, 1992 are:

1993	$ 81,348
1994	59,845
1995	17,409
1956	994
	$159,596

Note 4 - Income Taxes:

At January 31, 1992, the Company has a net operating loss carryforward of approximately $1,171,000 for tax purposes which is available to offset future Federal and state taxable income. The Company also has unused tax credits available of approximately $103,300.

Form 10-Q
Part 1 - Summarized Financial Information For
CONOLOG CORPORATION

Management's Analysis of Quarterly Income Statements:

A summary of income, costs and expenses for the current quarter and corresponding quarter of the previous year follows:

	QUARTERS ENDED JANUARY 31, 1992	QUARTERS ENDED JANUARY 31, 1991
Sales and revenues	$ 869,447	$1,058,704
Costs and expenses	846,679	994,344
Net income after taxes	$ 22,768	$ 64,360

Net sales decreased approximately $189,000 in the second quarter of 1992, from the second quarter of 1991. For the six months, sales increased $26,000 from last year.

The net income for the quarter decreased $41,600 from the second quarter of 1991. This was primarily the result of decreased sales.

Gross profit on sales was 45% in the first six months of 1992, compared to 33% for the same period in 1991. The high gross profit margin in 1992 is the result of profitable contracts and using inventory valued at lower than current costs.

Selling, general and administrative expenses increased $216,000 or 55% from the six months in 1991. Interest expense decreased $38,000 from last year. The increase in selling, general and administrative expenses is the result of the Company's effort to increase sales, thus putting an emphasis on selling and marketing costs. This has been done through an increase in commissions to sales representatives and an increase in travel costs to support new and potential customers. Interest decreased due to lower interest rates compared to 1991.

Working capital at January 31, 1992 was approximately $2,153,000 compared to $2,102,000 at year ended July 31, 1991. Management is aware that it must continue to obtain more profitable sales so that earnings will be available to meet its future debt obligations. Management is optimistic that based upon current conditions, it will be able to meet its current and anticipated operating requirements.

Management Representation:

The information furnished reflects all adjustments which management considers necessary to a fair statement of the results for the period.

Statement Regarding Present Operations:

There was no material change in the nature of the operations of Registrant during the six months ended January 31, 1992 from the information contained in the Registrant's annual report of Form 10-K for the fiscal year ended July 31, 1991.

Form 10-Q
Part II - Other Information
CONOLOG CORPORATION

1. Legal Proceedings - No material proceedings pending at January 31, 1992

2. Changes in Securities - NONE

3. Defaults upon Senior Securities - NONE

4. Submission of Matters to a Vote of Security Holders - NONE

5. Other Materially Important Events - NONE

6. No Reports or Exhibits on Form 8-K have been filed during the quarter.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Conolog Corporation
(Registrant)

President
(Signature) (Title)

Mar 11, 1992
(Date)

EVP
(Signature) (Title)

Mar 11, 1992
(Date)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

L3Q

For the quarterly period ended February 29, 1992

EUROAMERICAN GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	0-17483	13-3477824
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

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WASH. D.C.

50 Broad Street, Suite 516, New York, New York 10004
(Address of principal executive offices) (Zip Code)

5/6

Registrant's telephone number, including area code (212) 269-6686

(not applicable)
(Former name or address, if change from last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

As of April 14, 1992, 10,840,000 shares of Common Stock were outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The financial statements are provided beginning with page 3 herein.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The required discussion immediately follows the financial statements beginning with page 7 herein.

PART II - OTHER INFORMATION

Items 1 through 5.

Not applicable.

Item 6. Exhibits and Reports on Form 8-K (§ 249.308 of this chapter).

(a) No exhibits are being filed with this Form 10-Q.

(b) In February 1992, the Registrant filed a Form 8-K refelecting the issuance of 4,200,000 shares of Registrant's Common Stock on February 1, 1992 in exchange for $700,000 and 100% of the issued and outstanding shares of EuroAmerican Group, PLC, an English public limited liability company.

EUROAMERICAN GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	February 29, 1992 (Unaudited)	May 31, 1991
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 910,947	$ 197,285
Accounts receivable	360,862	253,843
Inventory	381,638	228,333
Foreign taxes receivable	34,724	66,196
Prepaid and other	62,062	29,630
TOTAL CURRENT ASSETS	1,750,233	775,287
PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, less accumulated depreciation and amortization	463,154	270,528
DEPOSITS AND OTHER ASSETS	37,012	25,007
	$2,250,399	$1,070,822
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 925,359	$ 763,830
Current portion of obligations under capital leases	8,400	8,097
Other	81,947	8,532
TOTAL CURRENT LIABILITIES	1,015,706	780,459
PAYABLE TO SHAREHOLDER	227,680	-
OBLIGATIONS UNDER CAPITAL LEASES	11,537	17,070
MINORITY INTEREST (NOTE 4)	15,448	-
STOCKHOLDERS' EQUITY:		
Preferred stock ($.001 par value)	-	-
Common stock $.001 par value; authorized 15,000,000 shares; issued and outstanding 10,840,000 at November 30 and 6,340,000 at May 31 (Note 5)	10,840	6,340
Additional paid-in-capital	2,856,996	2,009,781
Deficit	(1,866,723)	(1,700,722)
Cumulative translation adjustment	(21,085)	(42,106)
TOTAL STOCKHOLDERS' EQUITY	980,028	273,293
	$2,250,399	$1,070,822

See notes to accompanying condensed consolidated financial statements.

EUROAMERICAN GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the nine months ended February 29,		For the three months ended February 29,	
	1992	1991	1992	1991
Revenues	$2,609,406	$1,684,818	$1,187,114	$ 575,670
Costs and Expenses:				
Direct costs relating to revenues	1,271,767	871,932	690,685	273,664
Selling, general and administrative expenses	1,495,774	1,249,804	614,293	454,109
Research and development	31,629	137,115	7,748	45,709
Other income (Note 3)	(30,000)	(172,000)	-	-
	2,769,170	2,086,851	1,312,726	773,482
Income (loss) from operations	(159,764)	(402,033)	(125,612)	(197,812)
Interest income (expense)	(5,448)	6,176	(2,942)	(48)
Loss before minority interest	(165,212)	(395,857)	(128,554)	(197,860)
Minority interest (Note 4)	(789)	-	(717)	-
Net Loss	$ (166,001)	$(395,857)	$ (129,271)	$(197,860)
Per share data:				
Weighted average shares outstanding	6,888,888	6,340,000	7,973,333	6,340,000
Net loss per common share	$ (.02)	$(.06)	$(.02)	$(.03)

See notes to accompanying condensed consolidated financial statements.

EUROAMERICAN GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Nine Months Ended February 29, 1992
(Unaudited)

	Common Stock $.001 par value		Additional paid-in		Cumulative Translation	
	Shares	Amount	capital	Deficit	Adjustment	Total
BALANCE June 1, 1991	6,340,000	$6,340	$2,009,781	$(1,700,722)	$(42,106)	$273,293
Issuance of shares	200,000	200	99,800	-	-	100,000
Net Loss	-	-	-	(166,001)	-	(166,001)
Issuance of shares for cash and subsidiary (Note 5)	4,200,000	4,200	712,515	-	-	716,715
Issuance of shares in payment of officers' bonds	100,000	100	34,900	-	-	35,000
Foreign currency translation adjustment	-	-	-	-	21,021	21,021
Balance, February 29, 1992	10,840,000	$10,840	$2,856,996	$(1,866,723)	$(21,085)	$980,028

See notes to accompanying condensed consolidated financial statements.

EUROAMERICAN GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the nine months ended February 29,	
	1992	1991
CASH USED IN OPERATING ACTIVITIES:		
Net loss	$(166,001)	$(395,857)
Adjustments to reconcile net loss to net cash used in operating activities:		
Minority interest	15,448	-
Depreciation and amortization	73,375	48,967
Settlement of disputed liability	(30,000)	-
Payment of expenses with common stock	35,000	-
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Inventory	(76,952)	(81,173)
Receivables	(118,667)	(26,737)
Other current assets	13,684	(48,139)
Other assets	58,027	(5,917)
Increase in accounts payable and accrued expenses	29,485	337,026
Increase in other liabilities	3,956	(14,934)
Increase in payable to stockholder	109,016	-
Total Adjustments	112,372	209,093
Net cash used in operating activities	(53,629)	(186,764)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments under capitalized leases	(5,230)	(3,312)
Proceeds from sales of common stock	800,000	-
Net cash from financing activities	794,770	(3,312)
CASH FLOW USED IN INVESTING ACTIVITIES:		
Capital expenditures	(73,958)	(115,281)
Purchase of EAG-PLC, cash in excess of net assets acquired	25,458	-
Net cash used in investing activities	(48,500)	(115,281)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	21,021	23,612
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	713,662	(281,745)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	197,285	554,316
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 910,947	$ 272,571

See notes to accompanying condensed consolidated financial statements

EUROAMERICAN GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated balance sheet as of February 29, 1992 and the related condensed consolidated statements of operations and statements of cash flows for the periods ended February 29, 1992 and 1991 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at February 29, 1992 and for all periods presented have been made. The results of operations for the period ended February 29, 1992 are not necessarily indicative of the operating results for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with general accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes included in the Company's May 31, 1991 filing on Form 10-K.

NOTE 2 - INVENTORIES

Inventory, consisting of electronic components, is stated at the lower of cost (FIFO) or market.

NOTE 3 - OTHER INCOME

In August 1990, the Company settled a lawsuit that it had brought against a former supplier. The Company received a settlement of $190,000 before deducting legal costs of $18,000. In November 1991, the Company settled a disputed liability for $30,000 less than its previously accrued amount.

NOTE 4 - JOINT VENTURES

In 1991, EAG entered into a 52% owned joint venture for the manufacture and development of computer hardware and software.

NOTE 5 - ACQUISITION AND SALES OF COMMON STOCK

A) Effective February 1, 1992, the Company issued 4,200,000 shares of its newly issued common stock to a shareholder in exchange for $700,000 and 100% of the issued and outstanding shares of EuroAmerican Group, PLC, a public limited liability Company ("EAG-PLC"). EAG-PLC is a licensee of the Company's stock quotation system in England and France. The transaction was accounted for as a purchase and valued at approximately $725,000 which reflects the cash received and the historical net book value of EAG-PLC at February 1, 1992. The operating results of EAG-PLC are included from February 1, 1992.

B) In November 1991, the Company sold in a private placement 200,000 shares of common stock at .50 per share. The proceeds of the sale were received in December 1991.

NOTE 6 - COMMITMENTS

In the third quarter, the Company entered into operating lease agreements for satellite transmissions and office premises in the U.S. and office premises in Chicago as follows:

	Satellite	Office
May 31, 1993	$ 120,675	$ 21,956
1994	148,535	22,954
1995	154,502	22,954
1996	160,651	22,954
1997	167,080	17,964
Thereafter	687,881	-
	$1,439,324	$108,782

Item 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company reported a net loss of $166,001 for the fiscal period ended February 29, 1992 as against a net loss of $395,857 during the prior comparable period a decrease of $229,856. Revenues increased by $924,588 or 55%, expenses increased by $540,319 or 24%.

Revenue increases resulted principally from license fees from new customers using the Company's real time quotation product, EAG Plus, and increased brokerage revenues.

The Company generated approximately $459,000 in the period from commissions generated by securities brokerage transactions introduced in the United States on behalf of European citizens. This is a 75% increase from the previous fiscal period figure of $197,000.

The Company generated $2,150,000 in license fees, rental income and hardware sales in 1992 relating to the EAG Plus System. This is a 51% increase over the previous comparable period figure of $1,422,000 a trend that the Company expects to continue as it increases its penetration into the European and United States markets.

During 1992, the Company incurred approximately $1,496,000 in Selling, General & Administrative expenses, a 20% increase as compared with approximately $1,250,000 in 1991, reflecting increased overhead in connection with the sales and support of the EAG Plus System.

The Company expended approximately $1,272,000 during 1992 in direct costs relating to revenue, as compared with approximately $872,000 in the previous comparable period, an increase of 46%. This increase correlates with the increase in revenues.

During 1992, the Company expended approximately $32,000 in connection with research and development expenses, as compared with approximately $137,000 in the previous fiscal period. The Company expects that this expense will continue to decline as the EAG Plus System development process matures.

Financial Condition and Liquidity

During fiscal 1992, the Company entered into a series of transactions raising approximately $800,000 in cash by the issuance of 4,400,000 shares of its common stock. Additionally, as part of these transactions, the Company required a license in England and France. This Company has a positive cash flow. Continued growth of the Company supplemented by this additional capital, provides adequate liquidity and capital resources for the future.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

EUROAMERICAN GROUP, INC.

By: Hubert Scharnowski, Chairman,
Chief Executive Officer and
Chief Financial Officer

Dated: April 14, 1992

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1992

Commission File Number 0-13404

FIRST COLONIAL BANKSHARES CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

36-2981200
(I.R.S. Employer Identification No.)

30 North Michigan Avenue
Chicago, Illinois
(Address of Principal Executive Offices)

60602-3496
(Zip Code)

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Registrant's Telephone Number, Including Area Code (312) 419-9891

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No______

Class of Common Stock	Outstanding as of April 30, 1992
Class A Common Stock $1.25 Par Value	7,862,969
Class B Common Stock $1.25 Par Value	1,597,720

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FIRST COLONIAL BANKSHARES CORPORATION AND SUBSIDIARIES

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FIRST COLONIAL BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands)
(Unaudited)

	March 31, 1992	December 31, 1991
Assets		
Cash and noninterest bearing deposits	$ 79,376	$ 68,734
Federal funds sold	23,090	10,895
Cash and cash equivalents	102,466	79,629
Money market instruments	59,911	110,044
Investment securities (approximate market values of $404,998 and $460,669)	405,057	453,481
Loans	926,104	920,858
Allowance for credit losses	(10,651)	(10,587)
Net loans	915,453	910,271
Premises and equipment	19,319	18,565
Other assets	35,724	32,889
Goodwill	29,995	30,450
Total assets	$ 1,567,925	$ 1,635,329
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest bearing	$ 223,549	$ 224,708
Interest bearing	1,143,133	1,190,049
Total deposits	1,366,682	1,414,757
Short term borrowings	47,781	70,113
Accrued taxes and other liabilities	14,586	15,640
Long term debt:		
Qualifying as Tier 2 capital	3,489	3,489
Other	10,727	10,702
Total long term debt	14,216	14,191
Total liabilities	1,443,245	1,514,701
Stockholders' equity:		
Preferred stock, Series A	3,928	3,928
Preference stock, Series B	1,200	1,200
Common stock:		
Class A	10,404	10,235
Class B	2,348	2,350
Surplus	50,681	49,123
Retained earnings	62,490	60,163
Treasury stock	(6,371)	(6,371)
Total stockholders' equity	124,680	120,628
Total liabilities and stockholders' equity	$ 1,567,925	$ 1,635,329

See accompanying notes to consolidated financial statements.

FIRST COLONIAL BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands)
(Unaudited)

	For the Three Months Ended March 31, 1992	1991
Net interest income:		
Interest income:		
Loans, including fees	$ 21,228	$ 24,799
Federal funds sold	221	295
Money market instruments	1,288	852
Investment securities:		
Taxable	5,460	5,163
Exempt from federal taxes	822	1,791
Total interest income	29,019	32,900
Interest expense:		
Deposits	13,239	17,110
Short term borrowings	749	735
Long term debt	313	690
Total interest expense	14,301	18,535
Net interest income	14,718	14,365
Provision for credit losses	848	803
Net interest income after provision for credit losses	13,870	13,562
Noninterest income:		
Service charges on deposits	2,188	1,882
Trust fees	565	537
Mortgage banking income	607	558
Investment advisory income	968	224
Leasing income	273	306
Investment securities gain <loss>, net	421	206
Other operating income	868	818
Total noninterest income	5,890	4,531
Noninterest expense:		
Salaries and employee benefits	6,516	6,443
Net occupancy expense	1,626	1,614
Equipment expense	723	708
Data processing expense	820	805
FDIC insurance premiums	796	631
Amortization of goodwill	465	451
Other operating expenses	3,410	2,892
Total noninterest expense	14,356	13,544
Income before income taxes	5,404	4,549
Income taxes	1,810	1,188
Net income	3,594	3,361
Dividend requirements of preferred stocks	120	120
Net income applicable to common stock	$ 3,474	$ 3,241
Fully diluted earnings per share	$ .35	$ .33

See accompanying notes to consolidated financial statements.

FIRST COLONIAL BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Month Period Ended March 31,
(In Thousands)
(Unaudited)

	1992	1991
Operating activities:		
Net income	$ 3,594	$ 3,361
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and depreciation	2,301	1,465
Provision for credit losses	848	803
Net (gains) on sales of investment securities	(421)	(206)
Net amortization/accretion of investment premiums and discount	1,567	(477)
(Increase) decrease in interest receivable	1,893	(601)
Increase (decrease) in interest payable	(889)	(130)
(Increase) decrease in other assets	(5,038)	(615)
Increase (decrease) in other liabilities	(242)	(1,427)
Net cash provided by operating activities	3,613	2,173
Investing activities:		
(Increase) decrease in money market instruments	50,133	11,555
Proceeds from sales of investment securities	27,800	34,270
Proceeds from maturities and calls of investment securities	119,959	122,359
Purchases of investment securities	(100,506)	(186,547)
(Increase) decrease in loans	(6,076)	13,807
Purchases of equipment and leasehold improvements	(2,226)	(699)
Net cash used by investing activities	89,084	(5,255)
Financing activities:		
Increase (decrease) in deposit accounts	(48,051)	(10,937)
Increase (decrease) in short term borrowing	(22,352)	(390)
Issuances of long term debt	568	1,127
Payments on long term debt	(543)	(279)
Cash dividends	(1,147)	(1,105)
Proceeds from the exercise of stock options	1,665	444
Net cash provided by financing activities	(69,860)	(11,140)
Increase (decrease) in cash and cash equivalents	22,837	(14,222)
Cash and cash equivalents at beginning of year	79,629	86,769
Cash and cash equivalents at end of period	$ 102,466	$ 72,547

See accompanying notes to consolidated financial statements.

FIRST COLONIAL BANKSHARES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position of First Colonial Bankshares Corporation and subsidiaries as of March 31, 1992 and December 31, 1991 and the results of its operations for the three periods ended March 31, 1992 and 1991, and statements of cash flows for the three month periods then ended.

   The results of operations for the three month periods ended March 31, 1992 and 1991 are not necessarily indicative of the results to be expected for the full year. Certain reclassifications were made to the 1992 financial statements to conform to the 1992 presentation.

2. The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates at March 31, 1992. These financial instruments include commitments to extend credit of $255.7 million, loans sold with recourse of $18.5 million, standby and commercial letters of credit of $17.3 million, and interest rate swaps of $109.5 million notional value. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the accompanying balance sheets. No losses are anticipated as a result of these contracts.

3. Supplemental disclosure of cash flow information (in thousands):

	For the three month period ended September 30	
	1992	1991
Income taxes paid to federal and state governments	$ 142	$ 1,012
Interest paid to depositors and creditors	$15,190	$ 19,089

FIRST COLONIAL BANKSHARES CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

First Colonial earned $3.6 million in the first quarter of 1992 compared with $3.4 million in the first quarter of 1991. On a fully diluted per share basis, net income was $.35 in 1992 and $.33 in 1991. Net income has been bolstered in 1992 from various sources of noninterest income. Fees derived from deposit account relationships and from the sale of investment and insurance products have shown significant increases.

Net interest income on a fully taxable equivalent basis for the quarter was $182,000 lower for the first quarter of 1991, a 1.2% decrease. Average earning assets were $1.450 billion in 1992, a 5.3% increase over the $1.377 billion in 1991. Net interest margin decreased to 4.29% from 4.56% in 1991, corresponding to a period of falling interest rates. Interest rates on deposits have been lowered more slowly than the decline in rates earned on loans and investments. Also contributing to the decline in net interest margin is a shift in the composition of assets, with loans of $926 million having declined $7 million from the first quarter of 1991. Higher yielding loans are replaced by lower yielding investment securities.

The Company's provision for credit losses of $848,000 in the first quarter of 1992 was slightly higher than the first quarter of 1991. Management continually reviews loan portfolio quality and records provisions in amounts necessary to adequately cover anticipated losses. As of March 31, 1992 the allowance for loan losses represents 1.15% of loans, compared to 1.09% as of March 31, 1991 and 1.15% as of December 31, 1991.

Nonperforming loans increased to $25.3 million as of March 31, 1992 from $15.9 million one year earlier. The composition of nonperforming loans is: nonaccrual $14.4 million; past due 90 days and still accruing $9.7 million; restructured loans $.1 million; and other real estate $1 million. Net charge-offs for the first quarter periods were $784,000 in 1992 and $798,000 in 1991. As a percentage of average loans, net charge-offs were .09% during both quarters.

The breakdown of the loan portfolio by category in terms of dollars outstanding, total nonperforming and other real estate, and net charge-offs for the first quarter of 1992 was as follows (in thousands):

Category	Loans	Nonperforming Assets	Net Charge-Offs
Commercial and industrial	$229,241	$ 7,692	$630
Real estate construction	38,378	2,521	0
Real estate mortgage	564,259	12,904	53
Consumer	65,742	1,185	44
Lease financing	28,484	962	57
	$926,104	$25,264	$784

Noninterest income rose to $5.9 million in 1992 from $4.5 million one year earlier, a 30% increase. Revenues from the sale of investment and insurance products have quadrupled for the first quarter to $968,000 compared with $224,000 for 1991. Fees derived from deposit account relationships were $2.2 million for the first quarter of 1992 compared with $1.9 million one year ago, a 16% increase. Income recognized from the sale of securities was $421,000 for the first quarter of 1992, compared to $206,000 in 1991.

Noninterest expense increased to $14.4 million in the first quarter of 1992 from $13.5 million in 1991, a 6% increase. All categories of noninterest expense increased from a year ago.

Salary and employee benefits increased only $73,000 to $6.5 million in 1992 as the Company decided to temporarily maintain all staff salaries at 1991 levels.

FDIC deposit insurance premiums have increased by $165,000 to $796,000 for the first quarter of 1992 compared with $631,000 for the same period in 1991. Deposit insurance premiums have increased to current levels of 23 cents per $100 on deposit from 19.5 cents in effect for the first quarter of 1991.

Other operating exenses increased to $3.4 million for the first quarter of 1992 compared with $2.9 million for the same period in 1991. Increases over 1991 figures were noted in postage, legal, foreclosed property and investment advisory expenses.

Capital Resources

For the first three months of 1992, 134,256 shares of Class A common stock were issued under the Company's stock-option plans generating $1.7 million of new capital.

At March 31, 1992, the Company's Tier 1 and Total Risk-based capital ratios were 8.97% and 10.33% respectively; and its Tier 1 Leverage Ratio was 6.10%. The capital ratios are significantly above the minimums of 4.00% for Tier 1 and 8.00% for total capital mandated by the Federal Reserve System by year end 1992. The leverage ratio is also above the current 3% minimum.

On April 20, 1992 the Company issued 805,000 depositary shares of Series C Preference stock at $25 per share. Each share is convertible into 1.389 shares of Class A Common stock and may be redeemable at the option of the Company at $25 per depositary share after June 30, 1997. Dividends will be paid at the end of each calendar quarter at an annual rate of $1.75 per depositary share. Net proceeds of $19.4 million from the offering were used to pay down existing short term debt.

Liquidity

Liquidity measures the ability of the Company to meet maturing obligations and existing commitments, to withstand fluctuations in deposit levels, to fund operations, and to provide for customer credit needs.

Balance sheet sources of liquidity include investment securities particularly those of a short term duration, excess funds sold, time deposits in other banks, bankers acceptances, and the sale and runoff of assets from commercial, consumer, real estate and lease portfolios. Demand deposits, savings accounts, money market deposit accounts and certificates of deposit provide the Company with a sizeable source of stable funds. The Company also has the ability to purchase excess funds to meet short term liquidity needs. Liquidity is also enhanced by "off balance sheet" sources, including the development in recent years of large markets for securitized loans, especially residential mortgage loans and automobile installment contracts and the ability to borrow funds in the money and capital markets.

Interest Rate Sensitivity

The Company attempts to mitigate the effects of changes in interest rates by adjusting its asset and liability mix to achieve desired relationships between rate sensitive assets and rate sensitive liabilities.

The Company's policy is to maintain a gap (the difference between total rate sensitive assets and liabilities within a specified time horizon) of plus or minus 5 percent of total assets. This range has been determined after careful consideration of repricing characteristics of various asset and liability categories, including historical relative volatilities of rates earned and paid on these instruments.

The Company considers savings accounts to be 18 percent rate sensitive. That is, for every 1 percent change in the general level of interest rates, it is estimated that the savings deposit rate will change by .18 percent. Similarly, the Company considers money market deposit accounts and interest bearing demand deposit accounts to be 60% to 100% rate sensitive, depending upon the characteristics of a particular account type.

Following are the balances and repricing characteristics in the major categories of assets and liabilities at March 31, 1992 (in thousands):

	Less Than 6 Months	6 Months To 1 Year	Over 1 Year	Total
Rate sensitive assets:				
Money market instruments	59,911	-	-	59,911
Federal funds sold	23,090	-	-	23,090
Investment securities	144,029	38,768	222,260	405,057
Loans	413,314	75,912	436,878	926,104
Total earning assets	640,344	114,680	659,138	1,414,162
Rate sensitive liabilities:				
Money market deposit accounts	190,058	47,911	100,922	338,891
Certificates of deposit of $100,000 or more	104,208	12,720	5,317	122,245
Savings and NOW deposits	53,814	-	245,166	298,980
Other deposits	255,076	66,656	61,285	383,017
Nondeposit liabilities	49,554	1,810	10,613	61,977
Total interest bearing sources	652,710	129,097	423,303	1,205,110
Effect of interest rate swaps	13,500	-	(13,500)	-
Noninterest bearing sources	6,742	-	202,310	209,052
Total sources of funds	672,952	129,097	612,113	1,414,162
Net interest rate sensitive GAP	(32,608)	(14,417)	47,025	-
Cumulative GAP at March 31, 1992	(32,608)	(47,025)	-	-
– as a percentage of total assets	-2.0%	-2.9%	-	-
Cumulative GAP at March 31, 1991	(35,886)	(49,019)	-	-
– as a percentage of total assets	-2.4%	-3.2%	-	-

Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K

Exhibit Number 11	Statement re: computation of per share earnings
Reports on Form 8-K	None were required for the three month period ended March 31, 1992

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST COLONIAL BANKSHARES CORPORATION
(Registrant)

Date: May 13, 1992

C. Paul Johnson
Chairman
Chief Executive Officer

Date: May 13, 1992

Thomas J. Maier
Executive Vice President
Chief Financial Officer

Exhibit 11

FIRST COLONIAL BANKSHARES CORPORATION AND SUBSIDIARIES

COMPUTATION OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE

(Amounts in thousands, except per share amounts)

	Three Months Ended March 31,	
	1992	1991
Primary:		
A. Net income applicable to common stock	$3,474	$3,241
B. Weighted average common shares outstanding	9,424	9,286
C. Common stock equivalents generated from stock options	271	89
D. Common stock equivalents generated from mandatory stock purchase contracts	230	207
E. Adjusted common shares outstanding (B+C+D)	9,925	9,582
Net income per common shares (A ÷ E)	$ .35	$ .34
Fully diluted:		
A. Net income applicable to common stock	$3,474	$3,241
B. Weighted average common shares outstanding	9,424	9,286
C. Common stock equivalents generated from stock options	271	243
D. Common stock equivalents generated from mandatory stock purchase contracts	230	225
E. Adjusted common shares outstanding (B+C+D)	9,925	9,754
Net income per common shares (A ÷ E)	$ .35	$ .33

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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Form 10 Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

L30

For Quarter Ended March 28, 1992 Commission File Number 0-2015

FLOYD VALLEY PACKING COMPANY
(Exact name of registrant as specified in its charter)

Iowa Corporation
(State or other jurisdiction of incorporation or organization)

42-0929928
(I.R.S. Employer Identification No.)

1200 Cunningham Drive, Sioux City, Iowa
(Address of principal executive office)

51107
(Zip Code)

Registrant's telephone number, including area code 712-255-3593

Number of Shares Outstanding of Each Class of Common Shares as of June 29, 1991

Class A Common	585,429
Class B Common	1,635,000

"Indicate by check mark whether the registrant has filed all annual quarterly and other reports required to be filed with the Commission within the past 90 days and in addition has filed the most recent annual report required to be filed Yes_X_ No____"

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FLOYD VALLEY PACKING CO. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 28, 1992 AND MARCH 30, 1991

ASSETS

	1992	1991
CURRENT ASSETS		
Cash and Cash Equivalents	$ 118,202	$ 145,233
Prepaid Expense	4,305	5,893
Total Current Assets	$ 122,507	$ 151,126
PROPERTY, PLANT AND EQUIPMENT - Note 3		
Property, Plant & Equipment	$ 5,780,810	$ 5,780,810
Less Accumulated Depreciation	5,254,567	5,161,228
Net Property, Plant & Equipment	$ 526,243	$ 619,582
OTHER ASSETS		
Marketable Securities - Note 2	329,311	$ 307,904
Cash Value Life Insurance - Net of $116,100 Loan	5,525	6,364
Investment in Iowa Fancy Pork	-	12,177
Total Other Assets	$ 334,836	$ 326,445
TOTAL ASSETS	$ 983,586	$ 1,097,153

LIABILITIES AND STOCKHOLDERS EQUITY

	1992	1991
CURRENT LIABILITIES		
Accounts Payable	$ 72,943	$ 29,436
Accrued Expenses	74,524	68,527
Total Current Liabilities	$ 147,467	$ 97,963
STOCKHOLDERS EQUITY		
A Common Stock - No Par (Stated Value $1.20): 1,000,000 Shares Authorized; Issued and Outstanding 585,429 Shares - Note 6	$ 702,515	$ 702,515
B Common Stock - No Par (Stated Value $.10): 4,000,000 Shares Authorized; Issued and Outstanding 1,635,000 Shares - Note 6	163,500	163,500
Paid-In Capital	1,282,679	1,282,679
Retained Earnings (Deficit)	(1,312,575)	(1,149,504)
Total Stockholders Equity	$ 836,119	$ 999,190
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	$ 983,586	$ 1,097,153

See Accompanying Notes to Consolidated Financial Statements

FLOYD VALLEY PACKING CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE 26 WEEKS ENDED MARCH 28, 1992 AND MARCH 30, 1991

(Unaudited)

	March 28 1992	March 30 1991
INCOME		
Rental Income	$ 199,642	$ 135,139
Investment Income	18,661	18,990
Loss on Sale of Securities	(4,792)	(42,941)
Total Income	$ 213,511	$ 111,188
EXPENSES		
Plant and Production Expense	$ 215,201	$ 104,351
General and Administrative Expense	30,769	33,750
Depreciation Expense	56,063	36,800
Total Expense	$ 302,033	$ 174,901
NET (LOSS)	$(88,522)	$ 63,713
EARNINGS (LOSS) PER SHARE	$(.04)	$(.03)

See Accompanying Notes to Consolidated Financial Statements

FLOYD VALLEY PACKING CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THIRTEEN WEEKS ENDED MARCH 28, 1992 AND MARCH 30, 1991

	1992	1991
INCOME	$ 121,745	$ 56,590
PLANT EXPENSES	$ 129,957	$ 104,351
OTHER EXPENSES		
General & Administrative Expense	$ 8,665	$ 19,823
Depreciation	37,663	18,400
Total Other Expenses	$ 46,328	$ 38,223
NET (LOSS)	$(54,540)	$(85,984)
EARNINGS (LOSS) PER SHARE	$(.02)	$(.04)

See Accompanying Notes to Consolidated Financial Statements

FLOYD VALLEY PACKING CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE TWENTYSIX WEEKS ENDED MARCH 30, 1992 AND MARCH 30, 1991

(Unaudited)

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	March 30, 1992	March 30, 1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 199,642	$ 130,065
Cash Paid to Suppliers and Employees	(204,948)	(114,947)
Interest Received	18,661	24,064
Net Cash Provided (Used) by Operating Activities	$ 13,355	$ 39,182
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Securities	$ 376,975	$ 860,854
Payments for Purchase of Securities	(376,314)	(879,310)
Net Cash Provided (Used) by Investing Activities	$ 661	$(18,456)
Net Increase in Cash and Cash Equivalents	$ 14,016	$ 20,726
Cash and Cash Equivalents at Beginning of Year	$ 104,186	$ 124,507
Cash and Cash Equivalents at End of Year	$ 118,202	$ 145,233
RECONCILLIATION OF NET (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net (Loss)	$(88,522)	$(63,713)
Adjustments:		
Depreciation	$ 56,063	$ 36,800
Changes in Assets & Liabilities:		
Decrease in Prepaid Expenses	(9)	(4,478)
Increase in Accounts Payable	33,063	27,404
Increase in Accrued Expenses	(93)	228
(Increase) in Accounts Receivable	8,060	---
Loss on Sale of Marketable Securities	4,793	42,941
Total Adjustments	$ 101,877	$ 102,895
Net Cash Provided (Used) by Operating Activities	$ 13,355)	$ 39,182

See Accompanying Notes of Consolidated Financial Statements

FLOYD VALLEY PACKING CO. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 30, 1992

(Unaudited)

Note 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is composed of the following:

Land	$ 200,000
Building and Building Improvements	3,017,163
Machinery, Equipment and Furniture	2,457,364
Mobile Equipment	106,284
	$ 5,780,811

Property, plant and equipment are recorded at cost.

Note 4 - REPORTING BY INDUSTRY SEGMENT

The only material operations of Floyd Valley Packing Co. and Subsidiaries are leasing of plant space. Since these operations represent only one industry segment, no specific reporting by industry is made.

Note 5 - COMMON STOCK

When the Company reorganized in 1971, two classes of common stock were authorized. The Class A Common Stock originally had preference over the Class B Stock, in the event of liquidation of the Company The preference has expired and the two classes of stock are now the same except for the difference in stated value.

Note 6 - LEASES

Prior to July 31, 1989, the Company and FV Development Ltd. both leased land on which their buildings were located. These leases were canceled July 31, 1989, when the land was purchased by Floyd Valley Packing Co. The Company paid $325,000 to cancel the lease. This $325,000 payment was included in rent expense for the year ended September 29, 1990. The Companies currently have no long-term lease payment commitments. The only rent expense for the current year is for rental of office equipment.

FLOYD VALLEY PACKING CO. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 30, 1992

(Unaudited)

Note 6 - LEASES
(Cont.)

Prior to July 1, 1990, the plant owned by the Company was vacant and the plant owned by FV Development Ltd. was partially leased out as space rentals. On July 1, 1990, the Company entered into a lease with Iowa Fancy Pork, Inc. The lease required Iowa Fancy Pork, Inc. to pay Floyd Valley Packing Co. $20,000 per month and to pay all plant expenses. Iowa Fancy Pork ceased all operations on December 14, 1990, and the lease was terminated January 1, 1991. The lease with Iowa Fancy Pork, Inc. included a sub-tenant, Northwest Iowa pork, Inc. Northwest Iowa Pork, Inc. continues to lease space in the plant and pay rent on a weekly basis, ard will do so until May 31, 1992. The Company is in the process of negotiating a long-term lease with Butcher Quality Meats, Inc.

Note 7 - CONTINUED OPERATIONS

As discussed previously the Companies currently are not operating. The plants are only partially rented. If negotiations for future use of the plants are unsuccessful, liquidation of assets may be necessary.

Note 8 - GENERAL

In management's opinion, all adjustments necessary to fairly present the results of operations for the twenty-six weeks ended March 30, 1992, have been made.

The results of operations for the twenty-six weeks ended March 30, 1992, are not necessarily indicative of the operating results for the entire year.

Note 9 - GOING CONCERN

The Companies have sustained losses every year since 1986, including a very substantial loss in the year ended September 29, 1990. The consistent losses have depleted the Companies equity, making continued existence questionable. If the Company is unable to negotiate a long-term lease for its facilities, its assets will continue to be depleted and the Company may be forced to liquidate.

The Company is currently negotiating a lease arrangement with Butcher Quality Meats, Inc. If a long-term lease can be arranged and the lessee can meet its obligations, the Company will be able to continue in business as a lessor.

FLOYD VALLEY PACKING COMPANY

MARCH 30, 1992

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly authorized this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLOYD VALEY PACKING COMPANY
(Registrant)

Date: May 15, 1992

R. A. Kennedy - President and
Chief Financial Officer

08360

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

(Mark one)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1992

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from..........to...........

Commission file number 2-89516

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HARTFORD LIFE INSURANCE COMPANY

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

L3X

Incorporated in the State of Connecticut

06-0974148
(I.R.S. Employer
Identification No.)

P.O. Box 2999, Hartford, Connecticut 06104-2999
(Principal Executive Offices)

Telephone number 203-843-8216

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes X No____.

As of May 14, 1992 there were outstanding 1,000 shares of common stock, $5,690 par value per share, of the registrant, all of which were directly owned by Hartford Life and Accident Insurance Company.

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HARTFORD LIFE INSURANCE COMPANY AND SUBSIDIARY

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PART I. FINANCIAL INFORMATION

Item 1.

FINANCIAL STATEMENTS

The following unaudited financial statements reflect, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, the results of operations and the cash flows for the periods presented. Interim results are not indicative of the results which may be expected for any other interim period or the full year. For a description of accounting policies, see notes to financial statements in the 1991 Form 10-K.

HARTFORD LIFE INSURANCE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands)

	Three Months Ended March 31,	
	1992	1991
	(unaudited)	
Revenues:		
Premiums and other considerations	$ 45,480	$ 36,181
Net investment income	254,278	178,305
	299,758	214,486
Benefits, Claims and Expenses:		
Benefits, claims and claim adjustment expenses	207,171	160,882
Amortization of deferred policy acquisition costs	13,679	9,098
Other insurance expenses	35,417	17,201
	256,267	187,181
Income Before Income Tax:	43,491	27,305
Income tax expense	14,753	8,717
Net Income	$ 28,738	$ 18,588

HARTFORD LIFE INSURANCE COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In Thousands)

	March 31, 1992 (unaudited)	December 31, 1991
Assets		
Investments:		
Fixed maturities, at amortized cost	$ 9,416,979	$ 8,900,160
Equity securities, at market	33,359	10,890
Mortgage loans, at outstanding principal balance	147,805	136,912
Policy loans, at outstanding balance	190,890	188,929
Other investments	65,449	66,741
	9,854,482	9,303,632
Cash	37,132	16,368
Premiums and amounts receivable	56,559	70,967
Accrued investment income	135,482	120,901
Deferred policy acquisition costs	562,758	521,210
Other assets	52,908	43,665
Separate account assets	7,035,174	6,746,618
	$ 17,734,495	$ 16,823,361
Liabilities and Stockholder's Equity		
Future policy benefits	$ 841,286	$ 803,445
Other policyholder funds	8,640,019	8,119,147
Other liabilities	367,826	330,591
Deferred income tax	83,796	85,746
Separate account liabilities	7,035,174	6,746,618
	16,968,101	16,085,547
Common stock, 1,000 shares authorized, $5,690 par valuw, issued and outstanding 1000 shares	5,690	5,690
Capital Surplus	439,486	439,486
Unrealized gains on equity securities, net of taxes	781	939
Retained earnings	320,437	291,699
	766,394	737,814
	$ 17,734,495	$ 16,823,361

HARTFORD LIFE INSURANCE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Three Months Ended March 31,	
	1992	1991
	(unaudited)	
Operating Activities:		
Net income	$ 28,738	$ 18,588
Adjustments to net income:		
Net realized investment gains before tax	(23,505)	(7,507)
Net deferred policy acquisition costs	(41,548)	(19,180)
Accretion of discount on fixed maturities and depreciation	(14,183)	(13,827)
Deferred income taxes	(1,868)	2,840
Decrease(increase) in premiums and amounts receivable	14,408	(11,391)
Decrease(increase) in other assets	9,777	(17,435)
Increase in liability for future benefits	37,841	19,103
Increase in other liabilities	37,235	61,537
Increase in accrued investment income	(14,581)	(6,021)
Cash provided by operating activities	32,314	26,707
Investing Activities:		
Purchases of fixed maturity investments	(2,067,790)	(1,266,553)
Proceeds from sales of fixed maturity investments	966,659	861,847
Maturities and principal paydowns of long-term investments	246,330	121,144
Net purchases of other investments	(14,356)	(39,872)
Net sales(purchases) of short-term fixed maturity investments	336,735	(131,034)
Cash used for investing activities	(532,422)	(454,468)
Financing Activities:		
Receipts from investment and universal life type contracts credited to policyholder account balances	1,104,353	739,181
Return of policyholder account balances on investment and universal life type contracts	(583,481)	(310,614)
Dividends paid	-	(1,585)
Cash provided by financing activities	520,872	426,982
Net increase(decrease) in cash	20,764	(779)
Cash at beginning of period	16,368	9,278
Cash at end of period	$ 37,132	$ 8,499

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31,1992 AND 1991

Operating Results

Hartford Life Insurance Company and Subsidiary's (the Company) net income for the first quarter 1992 of $28,738 increased $10,150 or 54.6 percent over the comparable period in 1991. This increase is primarily due to increased investment income, including realized gains. Net income also rose due to earnings on an increased asset base from fixed and variable annuities sold in the individual life and annuity and universal life lines of business.

Premiums and other considerations increased $9,299 or 25.7 percent over the three months ended March 31, 1991 due principally to an increased level of account charge revenues from continued expansion of the Company's group pension and variable annuity lines of business. Net investment income increased $75,973 or 42.6 percent as a result of a larger investment base from increased group pension, variable annuity and universal life deposit premiums and increased realized gains. For the quarter, the Company's asset base of $17,734,495 increased 5% over December.

The increase in benefits, claims and claim adjustment expenses of $46,289 or 28.8 percent over the prior period is due principally to interest credited to policyholder accounts in the group pension, variable annuity and universal life lines of business. Amortization of deferred policy acquisition costs of $13,679 increased $4,581 or 50.4% reflecting increased sales volume and related acquisition costs for the individual life and annuity and the universal life lines of business. Other insurance expenses increased $18,216 or 105.9 percent resulting from a general increase in operating expenses, taxes, licenses and fees correlating with increased production volume and from increases in reserves to fund the Company's share of future industry insolvency assessments. The Company paid first quarter dividends of $1,585 in 1991; no dividends were paid in the first quarter of 1992.

Liquidity and Capitalization

The liquidity requirements of the Company were met by cash provided from operations and investment activity. The components of the funds provided were group pension, variable annuity and universal life deposits, premiums from individual and group life polices, and investment income, as well as, maturities and sales of invested assets. The primary uses of funds were to pay policy benefits, operating expenses, commissions and purchase investments to fund reserves.

Capitalization which consists of stockholder's equity was $766,394 and $737,814 as of March 31, 1992 and December 31, 1991, respectively.

Other Events

A Form 8-K was filed by the Company on April 3, 1992 to disclose two potential business events. On March 16, 1992, the Company entered into a memorandum of understanding to assume and reinsure certain insurance contracts of the Mutual Benefit Life Insurance Company In Rehabilitation. Completion of this transaction is subject to negotiation of a definitive agreement, regulatory approvals and approval of the Superior Court of the State of New Jersey. As of the date of this filing, no such agreement and/or approvals have been obtained.

On March 29, 1992, the Company was selected by the Virginia Insurance Commissioner to assume the annuity, life, accident and sickness insurance contracts of Fidelity Bankers Life Insurance Company. Completion of this transaction is subject to preparation of a definitive agreement, regulatory approvals and approval of the Virginia State Corporation Commission (Commission). A confirmation hearing has been scheduled by the Commission for June 1, 1992. At that hearing, competing rehabilitation plans can also be presented to the Commission.

Neither of these events has affected the financial statements of the Registrant as of the date of this filing.

PART II. OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) See Exhibit Index

(b) A report was filed by Hartford Life Insurance Company on Form 8-K during the first quarter of 1992 covering matters discussed on the previous page.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Hartford Life Insurance Company
(Registrant)

by D.J. Znamierowski
D.J. Znamierowski
Vice President & Controller
(Chief Accounting Officer)

May 14, 1992
(Date)

EXHIBIT INDEX

Exhibit Number	Description	Location
(2)	Plan of acquisition, reorganization, arrangement, liquidation or succession	None
(4)	Instruments defining the rights of security holders, including indentures	None
(11)	Statement re computation of per share earnings	None
(15)	Letter re unaudited interim financial information	None
(18)	Letter re change in accounting principles	None
(19)	Previously unfiled documents	None
(20)	Report furnished to security holders	None
(23)	Published report regarding matters submitted to vote of security holders	None
(24)	Consents of experts and counsel	None
(25)	Power of attorney	None
(28)	Additional exhibits	None

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Commission file number 0-20082

Hinsdale Financial Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

36-3811768
(I.R.S. Employer Identification No.)

One Grant Square, Hinsdale, Illinois
(Address of principal executive offices)

60522
(Zip Code)

(708) 323-1776
(Registrant's telephone number, including are

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(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all the reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(1) YES N/A NO ____
(2) YES ____ NO X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

One share was outstanding as of June 15, 1992.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Hinsdale Financial Corporation is a newly formed holding company, formed for the purpose of acquiring all of the issued and outstanding stock of Hinsdale Federal Bank for Savings concurrent with its conversion from mutual to stock form of organization. At this time and until the conversion is complete, the Company is a noncapitalized shell corporation with no business activities. Accordingly, the financial statements of the Company have been omitted. For a further discussion of the Company's formation and intended operations see the Form S-1 Registration Statement as amended, initially filed on March 31, 1992, amended on May 1, 1992 and May 13, 1992 and declared effective on May 13, 1992. The description of the Company in these filings is herein incorporated by reference.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

See Item 1

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 2. Changes in Securities.

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Submission of Matters to a Vote of Security Holders.

None

Item 5. Other Information.

None

Item 6. Exhibits and Reports on Form 8-K (§249.308 of this Chapter).

Exhibit 28 - Form 10-Q equivalent financial information for Hinsdale Federal Bank for Savings for the quarter ended March 31, 1992. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation have been included. The results of operations and other data for the three and six months ended March 31, 1992, are not necessarily indicative of the results of operations which may be expected for the fiscal year ending September 30, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Hinsdale Financial Corporation

Dated: JUNE 30, 1992

By: Kenne P Bristol
Kenne P. Bristol
President and Chief Executive Officer

Dated: June 30 1992

By: Richard A Hojnicki
Richard A. Hojnicki
Executive Vice President and Chief Financial Officer

HINSDALE FEDERAL BANK FOR SAVINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	March 31, 1992	September 30 1991
	(In thousands)	
ASSETS:		
Cash and due from banks	$ 4,401	5,809
Interest-bearing deposits	79,783	17,955
Federal funds sold	20,000	2,000
Cash and cash equivalents	104,184	25,764
Investment securities (market value: 1992- $24,945; 1991- $7,131)	24,796	6,999
Mortgage-backed securities (market value: 1992- $132,624 1991- $221,321)	130,830	217,875
Loans, net	240,731	244,950
Accrued interest receivable	3,015	3,985
Real estate, net	15,056	15,016
Premises and equipment, net	5,357	5,447
Stock in Federal Home Loan Bank of Chicago, at cost	3,830	4,183
Other assets	4,058	4,244
Excess cost over fair value of net assets acquired	-	7,687
Total assets	531,857	536,150
LIABILITIES AND RETAINED EARNINGS:		
Deposits	482,365	483,576
Collateralized mortgage obligations	19,753	22,301
Advance payments by borrowers for taxes and insurance	5,104	850
Deferred income taxes	995	2,942
Accrued expenses and other liabilities	6,086	5,337
Total liabilities	514,303	515,006
Retained earnings, substantially restricted	17,554	21,144
Total liabilities and retained earnings	$ 531,857	536,150

HINSDALE FEDERAL BANK FOR SAVINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN RETAINED EARNINGS

(In thousands)

Six Months Ended March 31, 1991		
Balance at September 31, 1990	$	42,608
Net income		2,824
Balance at March 31, 1991	$	45,432

Six Months Ended March 31, 1992		
Balance at September 31, 1991	$	21,144
Net loss		(3,590)
Balance at March 31, 1992	$	17,554

HINSDALE FEDERAL BANK FOR SAVINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	1992	1991	1992	1991
	(in thousands)			
Interest income:				
Loans	$ 5,550	8,050	11,416	16,395
Mortgage-backed securities	3,444	3,220	7,441	6,493
Investment securities	207	245	389	560
Federal funds sold	187	65	305	65
Interest-bearing deposits	315	409	596	706
Total interest income	9,703	11,989	20,147	24,219
Interest expense:				
Deposits	5,842	8,128	12,597	16,814
Borrowed money	0	79	0	278
Collateralized mortgage obligations	556	643	1,207	1,329
Total interest expense	6,398	8,850	13,804	18,419
Net interest income	3,305	3,139	6,343	5,800
Provision for loan losses	0	0	0	21
Net interest income after provision for loan losses	3,305	3,139	6,343	5,779
Noninterest income:				
Gain (loss) on sale of:				
Loans	(138)	578	308	677
Mortgage-backed securities	810	(273)	810	(273)
Investment securities and stock	0	0	0	245
Loan servicing rights	0	0	139	0
Premises and real estate held for development and sale	0	0	0	2,379
Income from real estate operations	413	298	499	735
Servicing fee income	80	201	153	407
Miscellaneous fees and commissions	722	716	1,437	1,378
Other	40	31	90	232
Total noninterest income	2,029	1,552	3,536	5,780
Noninterest expense:				
General and administrative:				
Compensation and benefits	1,725	1,558	3,346	3,087
Occupancy expense	468	510	917	1,022
Federal deposit insurance premiums	263	276	535	543
Computer services	165	170	321	334
Other	710	769	1,487	1,835
Total general and administrative expenses	3,331	3,283	6,606	6,821
Amortization of cost in excess of fair value of net assets acquired	0	289	61	378
Write-off of cost in excess of fair value of net assets acquired	0	0	7,626	0
Provision for real estate losses	35	0	35	0
Total noninterest expense	3,366	3,572	14,328	7,199
Income (loss) before income taxes	1,968	1,119	(4,449)	4,360
Income tax expense	753	431	1,243	1,536
Income (loss) before cumulative effect of change in accounting principle	1,215	688	(5,692)	2,824
Cumulative effect of change in accounting for income taxes	0	0	2,102	0
Net income (loss)	$ 1,215	688	(3,590)	2,824

HINSDALE FEDERAL BANK FOR SAVINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
		(In thousands)		
Cash flows from operating activities				
Net income (loss)	$ 1,215	688	(3,590)	2,824
Adjustments to reconcile net income (loss) to net cash used in operating activities				
Amortization of excess cost over fair value of net assets acquired	0	289	61	578
Write-off of excess cost over fair value due to impairment	0	0	7,626	0
Depreciation and amortization	118	166	240	384
Amortization of deferred gain	(97)	(97)	(195)	(130)
Increase (decrease) deferred income taxes	0	306	(1,947)	1,411
Provision for loan losses	0	0	0	21
Provision for real estate losses	35	0	35	0
Amortization of premiums, discounts and deferred loan fees	(113)	(127)	(203)	(260)
Additions to deferred fees	634	272	1,159	458
Amortization of collateralized mortgage obligations discount	106	95	275	213
Originations of loans held for sale	(43,487)	(7,302)	(68,201)	(11,594)
Sale of loans originated for resale	27,903	4,309	49,536	9,442
(Gain) loss on sales of:				
Mortgage-backed securities	(910)	273	(910)	273
Loans	136	(578)	(308)	(677)
Premises and real estate held for development and sale	0	0	0	(2,379)
Loan servicing rights	0	0	(139)	0
Other stock	0	0	0	(245)
Decrease in accrued interest receivable	717	492	970	284
(Increase) decrease in other assets	(270)	774	(218)	1,418
Increase (decrease) in accrued expenses and other liabilities	836	(82)	986	(2,388)
Net cash used in operating activities	(13,177)	(522)	(14,823)	(367)
Cash flows from investing activities:				
Proceeds from maturities of investment securities	0	5,000	2,000	5,000
Proceeds from sale of stock	0	0	0	246
Proceeds from sale of loans	746	12,661	3,017	13,716
Proceeds from sale of mortgage-backed securities	75,388	23,944	75,388	26,750
Proceeds from sale of loan servicing	449	0	1,038	0
Proceeds from sale of premises and real estate held for development and sale	0	963	411	12,417
Purchase of investment securities	(19,793)	0	(19,793)	0
Purchase of mortgage-backed securities	(13,370)	(40,023)	(14,684)	(50,626)
Loans originated for investment	(12,419)	(4,780)	(20,073)	(11,377)
Loans purchased	0	0	(6)	0
Purchases of premises and equipment	(143)	(27)	(203)	(70)
Principal collected on loans	22,952	11,767	39,120	22,689
Principal collected on mortgage-backed securities	14,942	5,311	26,808	9,585
Net cash provided by investing activities	68,752	14,816	93,023	28,330

HINSDALE FEDERAL BANK FOR SAVINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
	(In thousands)			
Cash flows from operating activities				
Net income (loss)	$ 1,215	688	(3,590)	2,824
Adjustments to reconcile net income (loss) to net cash used in operating activities				
Amortization of excess cost over fair value of net assets acquired	0	289	61	578
Write-off of excess cost over fair value due to impairment	0	0	7,626	0
Depreciation and amortization	118	166	240	384
Amortization of deferred gain	(97)	(97)	(195)	(130)
Increase (decrease) deferred income taxes	0	306	(1,947)	1,411
Provision for loan losses	0	0	0	21
Provision for real estate losses	35	0	35	0
Amortization of premiums, discounts and deferred loan fees	(113)	(127)	(203)	(260)
Additions to deferred fees	634	272	1,159	458
Amortization of collateralized mortgage obligations discount	106	95	275	213
Originations of loans held for sale	(43,487)	(7,302)	(68,201)	(11,594)
Sale of loans originated for resale	27,903	4,309	49,536	9,442
(Gain) loss on sales of:				
Mortgage-backed securities	(910)	273	(910)	273
Loans	136	(578)	(308)	(677)
Premises and real estate held for development and sale	0	0	0	(2,379)
Loan servicing rights	0	0	(139)	0
Other stock	0	0	0	(245)
Decrease in accrued interest receivable	717	492	970	284
(Increase) decrease in other assets	(270)	774	(218)	1,418
Increase (decrease) in accrued expenses and other liabilities	836	(82)	986	(2,388)
Net cash used in operating activities	(13,177)	(522)	(14,823)	(367)
Cash flows from investing activities:				
Proceeds from maturities of investment securities	0	5,000	2,000	5,000
Proceeds from sale of stock	0	0	0	246
Proceeds from sale of loans	746	12,661	3,017	13,716
Proceeds from sale of mortgage-backed securities	75,388	23,944	75,388	26,750
Proceeds from sale of loan servicing	449	0	1,038	0
Proceeds from sale of premises and real estate held for development and sale	0	963	411	12,417
Purchase of investment securities	(19,793)	0	(19,793)	0
Purchase of mortgage-backed securities	(13,370)	(40,023)	(14,684)	(50,626)
Loans originated for investment	(12,419)	(4,780)	(20,073)	(11,377)
Loans purchased	0	0	(6)	0
Purchases of premises and equipment	(143)	(27)	(203)	(70)
Principal collected on loans	22,952	11,767	39,120	22,689
Principal collected on mortgage-backed securities	14,942	5,311	26,808	9,585
Net cash provided by investing activities	68,752	14,816	93,023	28,330

HINSDALE FEDERAL BANK FOR SAVINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
		(In thousands)		
Cash flows from financing activities				
Net increase (decrease) in deposits	3,024	1,221	(1,211)	(7,100)
Repayment of borrowed money	0	0	0	(6,000)
Repayment of collateralized mortgage obligations	(1,471)	(911)	(2,823)	(1,944)
Net increase in advance payments by borrowers for taxes and insurance	1,110	1,483	4,254	4,185
Net cash provided by (used in) financing activities	2,663	1,793	220	(10,859)
Net increase in cash and cash equivalents	58,238	16,087	78,420	17,104
Cash and cash equivalents at beginning of period	45,946	23,184	25,764	22,167
Cash and cash equivalents at end of period	$ 104,184	39,271	104,184	39,271
Supplemental disclosures of cash flow information				
Cash paid during the period for:				
Interest paid	$ 6,529	9,091	14,095	18,782
Income taxes	740	125	815	125
Supplemental schedule of noncash investing activities				
Loans transferred to real estate owned	$ 38	0	187	0

Management's Discussion and Analysis of Quarterly Results

Total assets increased $4.7 million, or 0.9%, to $531.9 million at March 31, 1992 from December 31, 1991. Net loans receivable increased $3.6 million, or 1.5%, to $240.7 million at March 31, 1992. Net loans at March 31, 1992 included $24.5 million of loans held for sale, which were originated in the month of March. As part of the Bank's mortgage banking operation, sale and delivery of these loans as FNMA securities took place in the month of April, 1992. The loan portfolio, exclusive of loans held for sale, decreased $20.9 million, or 8.8%, from December 31, 1991. The decrease resulted from prepayments of existing mortgage loans due to the decline in market interest rates.

The overall decline, nationwide, in interest rates had a similar effect on the Bank's adjustable rate mortgage-backed securities portfolio. This portfolio experienced a significant increase in prepayments due to the sharp decline in interest rates resulting from the slow economy and the Federal Reserve's reduction in the discount rate. In consideration of these factors, in February, 1992, the Bank restructured its mortgage-backed securities portfolio by selling $74.5 million of 11th district FNMA Cost of Funds Index ("COFI") ARMs, which the Bank had purchased at a premium. The gain on this sale was $910,000. Proceeds were reinvested in the following: two and three year U.S. Treasury Notes; 1.5 to 4.5 year collateralized mortgage obligations ("CMOs"); and 5 to 7 year FHLMC balloon mortgages. These aggregate investments have a weighted average yield of 6.73% and an estimated weighted average maturity of 3.9 years. If this restructuring had been completed by March 31, 1992, the Bank's one-year interest sensitivity gap as a percentages of total assets at such date would have been approximately a negative 1.55%. Due to the COFI ARM sale, mortgage-backed securities decreased $76.3 million, or 36.8%, to $130.8 million from December 31, 1991. Investment securities increased $19.8 million from December 31, 1991 to $24.8 million. At March 31, 1992, this reinvestment was still in process, and the remaining proceeds were held in interest-bearing deposits, pending the completion of the restructuring.

Deposits increased $3.0 million, or 0.6%, to $482.4 million at March 31, 1992 from December 31, 1991.

Retained earnings at March 31, 1992 were $17.6 million, an increase of $1.2 million, or 7.4% from December 31, 1991. Tangible and core capital each increased $1.3 million for the quarter ended March 31, 1992. The Bank's capital for regulatory purposes exceeded the tangible and core capital requirement at March 31, 1992 by $9.1 million and $1.1 million, respectively. Risk-based capital increased $1.2 million and at March 31, 1992 exceeded the regulatory requirement by $1.8 million.

Net income for the quarter ended March 31, 1992 was $1.2 million, compared to a loss of $4.8 million for the quarter ended December 31, 1991. This change was primarily the result of a $7.7 million amortization and write-off of goodwill, partially offset, by a $2.1 million cumulative effect of the change in accounting for income taxes recorded in the quarter ended December 31, 1991.

Net income increased $527,000, or 76.6%, to $1.2 million for the quarter ended March 31, 1992, when compared to the quarter ended March 31, 1991. This increase was partially due to the gain on sale of securities of $774,000 for the quarter ended March 31, 1992 as compared to the gain of $305,000 for the comparable 1991 quarter. The quarter ended March 31, 1991 also included the expense of $289,000 for the amortization of the goodwill, which was completely written-off in the December 31, 1991 quarter. For the six months ended March 31, 1992 the Bank had a loss of $3.6 million, compared to earnings of $2.5 million for the six months ended March 31, 1991. The 1992 results included an expense of $7.7 million for the amortization and write-off of the remaining goodwill, compared to the amortization expense of $578,000 for the six months ended March 31, 1991. The 1991 period also included a $2.4 million pre-tax gain from the sale of premises and real estate held for investment. The 1992 period reflected gains of $1.2 million from the sale of investment securities, mortgage-backed securities and loans receivable, including a $910,000 gain from the sale of the COFI ARMs, while the 1991 period reflected gains of $649,000 from sales of such assets.

Net interest income increased $166,000, or 5.3%, to $3.3 million, comparing the quarters ended March 31, 1992 and 1991. Net interest income for the six months ended March 31, 1992 increased $543,000, or 9.4%, to $6.3 million compared to the six months ended March 31, 1991. These increases are primarily the result of the decline in the cost of deposits, which was partially offset by the decline in yields on investments.

Loan originations for the quarter ended March 31, 1992 were $55.9 million, an increase of $43.4 million, or 345.9%, from the comparable 1991 quarter. For the six months ended March 31, 1992, loan originations were $88.3 million, an increase of $65.3 million, or 284.3%, from the comparable 1991 period. This increase represents a concerted effort on the part of the Bank to maintain its market share of mortgage loan originations.

Non-performing assets increased $318,000, or 2.6% at March 31, 1992, compared to December 31, 1991. On April 20, 1992, the Bank was granted summary judgment in its foreclosure action with respect to a shopping center in Lisle. Management anticipates being awarded ownership in the quarter ending June 30, 1992.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended January 31, 1992 Commission file number 2-39295

IRIA Corporation
(Exact name of registrant as specified in its charter)

Delaware	38-1872229
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

29350 Southfield Road
Suite 122
Southfield, Michigan 48076
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (313) 559-7865

2 B System, Inc.
6575 Arrow Drive
Sterling Heights, Michigan 48078
Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO_____

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IRIA CORPORATION
(formerly 2 B SYSTEM, INC.)
FORM 10-Q
INSTRUCTION H
FINANCIAL STATEMENTS

The financial information contained in this interim report was prepared from the books and records of the company without independent audit.

The information furnished reflects all adjustments which are, in the opinion of management, necessary to a fair statement of the results for this interim period.

IRIA CORPORATION
(formerly 2 B SYSTEM, INC.)
FORM 10-Q
INSTRUCTION H
FINANCIAL STATEMENTS

COMPANY	IRIA Corporation (formerly 2 B System, Inc.) and wholly-owned subsidiaries (2 B System Corporation and 2 B Systems of Florida, Inc.)

BALANCE SHEETS

ASSETS

	October 31, 1991	January 31, 1992
Cash and cash equivalents	$ 857,930.00	$ 1,305,323.00
Certificates of deposits	200,000.00	100,000.00
	$ 1,057,930.00	$ 1,405,323.00
Other assets	$ 20,557.00	$ —
Assets sold pursuant to agreement of sale	1,673,186.00	—
	$ 1,693,743.00	$ —
TOTAL ASSETS	$ 2,751,673.00	$ 1,405,323.00

LIABILITIES AND STOCKHOLDERS' EQUITY

	October 31, 1991	January 31, 1992
Accounts payable	$ —	$ 200,791.00
Accrued expenses	—	27,117.00
Income taxes payable	29,200.00	18,700.00
Deferred income taxes	28,600.00	—
Liabilities assumed pursuant to agreement of sale	645,189.00	—
	$ 702,989.00	$ 246,608.00
Stockholders' equity		
Common stock, $.10 par value Authorized 875,000 shares; Issued 725,692	$ 72,569.00	$ 72,569.00
Additional paid-in capital	525,243.00	525,243.00
Retained earnings	1,694,071.00	804,102.00
	$ 2,291,883.00	$ 1,401,914.00
Less: 231,449 shares in treasury at cost	243,199.00	243,199.00
Total stockholders' equity	$ 2,048,684.00	$ 1,158,715.00
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,751,673.00	$ 1,405,323.00

IRIA CORPORATION
(formerly 2 B SYSTEM, INC.)
FORM 10-Q
INSTRUCTION H
FINANCIAL STATEMENTS

COMPANY	IRIA Corporation (formerly 2 B System, Inc.) and wholly-owned subsidiaries (2 B System Corporation and 2 B Systems of Florida, Inc.)

INCOME STATEMENTS

	For the three-month periods ended January 31.	
	1991	1992
Earnings from continuing operations Interest and dividends	$ 21,601.00	$ 14,835.00
Discontinued operations		
Net sales	$ 598,924.00	$ 209,448.00
Other income - gain on sale of assets in 1992	23,815.00	181,581.00
Total	$ 622,739.00	$ 391,029.00
Cost and expenses		
(a) Cost of goods sold	$ 386,061.00	$ 135,496.00
(b) Selling, general and administrative expenses	214,829.00	136,344.00
(c) Interest expense	$ 10,944.00	$ .00
Total Costs and Expenses	$ 611,834.00	$ 271,840.00
Income or (loss) before taxes	$ 32,506.00	$ 134,024.00
Provision for taxes	5,800.00	35,500.00
Net income	$ 26,706.00	$ 98,524.00
Shares outstanding	494,245	494,245
Earnings per share	.054	N/A
Distributions per share in liquidation	NONE	2.00

IRIA CORPORATION

(formerly 2 B SYSTEM, INC.)

FORM 10-Q

INSTRUCTION I

MANAGEMENT'S ANALYSIS OF QUARTERLY INCOME STATEMENTS

See next page.

IRIA CORPORATION

(formerly 2 B SYSTEM, INC.)

FORM 10-Q

INSTRUCTION J

OTHER FINANCIAL INFORMATION

OTHER FINANCIAL INFORMATION OF SIGNIFICANCE:

Sale

On November 26, 1991, the Registrant sold all of its tangible and intangible assets, exclusive of cash, cash equivalents, and certificates of deposit, and its business to an unrelated, privately-held company for $1,516,671 cash and the assumption of substantially all liabilities. The sale was pursuant to an Agreement of Sale dated July 3, 1991, as amended.

It is contemplated that after payment of the expenses of the sale a pension withdrawal liability, any state or federal taxes determined to be due, auditing, accounting, legal fees, and other continuing expenses, an orderly and early liquidation of the remaining cash will be made to stockholders as soon as practicable.

A partial liquidation distribution in the amount of $2.00 per share was made January 27, 1992.

OTHER MATERIAL UNUSUAL OR CREDIT TO INCOME REQUIRING FILING OF FORM 8K:

ANY CHANGE IN INDEPENDENT ACCOUNTANTS REQUIRING FILING OF FORM 8K:

IRIA CORPORATION

(formerly 2 B SYSTEM, INC.)

FORM 10-Q

INSTRUCTION H

SALES OF UNREGISTERED SECURITIES (DEBT OR EQUITY)

Any sale of unregistered securities (debt or equity) during the period of this report:

None

IRIA CORPORATION

(formerly 2 B SYSTEM, INC.)

FORM 10-Q

INSTRUCTION H

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IRIA Corporation (formerly 2 B System, Inc.)
(Registrant)

Date June 15, 1992

(Signature)*
CHAIRMAN, TREASURER

Date June 15, 1992

(Signature)*
SECRETARY

*Print name and title of the signing officer under his signature.
One officer must be the principal financial officer.

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Securities and Exchange Commission

Washington, D.C. 20549

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Form 10-Q

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

SEC RECEIVED
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SECTION

For Quarter Ended January 31, 1992 Commission File Number 0-19569

35574

Jimbo's Jumbos, Incorporated /DE

Delaware
(State of Other Jurisdiction of Incorporation or Organization)

56-0487545
(I.R.S. Employer Identification No.)

185 Peanut Drive, Edenton, N.C.
(Address of Principal Executive Offices)

27932
(Zip Code)

Registrant's telephone number, including area code (919) 482-2193

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No____

No. of shares of Common Stock ($.001 par value) outstanding as of March 4, 1992, - 6,500,000.

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Jimbo's Jumbos, Incorporated and Subsidiaries

Index

Page No.

Part I - Financial Information

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Part I - Financial Information

Jimbo's Jumbos, Incorporated and Subsidiaries

Condensed Consolidated Balance Sheets

	January 31, 1992 *(Unaudited)*	July 31, 1991 *(Note)*
Assets		
Current assets:		
Cash and cash equivalents	$ 747,588	$ 490,285
Trade receivables, less allowances for doubtful accounts of $478,000 and $543,000	3,364,008	6,588,319
Inventories	20,885,910	5,545,035
Prepaid expenses	123,563	90,907
Total current assets	25,121,069	12,714,546
Property, plant and equipment, at cost	14,734,180	13,969,390
Less allowance for depreciation	2,132,445	1,676,445
	12,601,735	12,292,945
Other assets	620,466	754,103
Excess of cost over net assets acquired	17,644,376	17,883,656
	$ 55,987,646	$ 43,645,250
Liabilities and stockholders' equity		
Current liabilities:		
Short-term bank notes	$ 4,900,000	
Current installments of long-term term debt	180,000	$ 90,000
Accounts payable	2,193,699	1,505,685
Dividend payable to Parent Company		2,637,864
Accrued expenses	937,526	2,044,882
Income taxes	1,073,728	48,728
Total current liabilities	9,284,953	6,327,159
Long-term debt, excluding current installments		90,000
Deferred income taxes	185,000	185,000
Stockholders' equity:		
Common stock, par value $.001 per share; authorized 20,000,000 shares; issued and outstanding 6,500,000 and 4,750,000 shares	6,500	4,750
Additional paid-in capital	40,753,079	31,609,829
Retained earnings	6,822,114	5,428,512
Deferred compensation	(1,064,000)	
Total stockholders' equity	46,517,693	37,043,091
	$ 55,987,646	$ 43,645,250

Note: The balance sheet at July 31, 1991 has been derived from the audited financial statements at that date.

See notes to unaudited condensed consolidated financial statements.

Jimbo's Jumbos, Incorporated and Subsidiaries

Unaudited Condensed Consolidated Statements of Income

	Three months ended January 31, 1992	1991
Net sales	$11,831,437	$ 18,612,260
Cost and expenses:		
Cost of sales	8,793,513	11,903,515
Selling, general, and administrative expenses	1,741,331	2,272,673
	10,534,844	14,176,188
Operating profit	1,296,593	4,436,072
Interest income	7,093	12,480
Interest expense	(180,007)	(331,162)
Expenses allocated by Parent Company		(393,000)
Other income (deductions)	5,703	(27,945)
Income before income taxes	1,129,382	3,696,445
Income taxes	556,000	1,557,000
Net income	$ 573,382	$ 2,139,445
Net income per share	$ .10	

See notes to unaudited condensed consolidated financial statements.

Jimbo's Jumbos, Incorporated and Subsidiaries

Unaudited Condensed Consolidated Statements of Income

	Six months ended January 31, 1992	1991
Net sales	$26,028,521	$ 34,073,359
Cost and expenses:		
Cost of sales	19,530,444	23,264,294
Selling, general, and administrative expenses	3,642,171	4,334,689
	23,172,615	27,598,983
Operating profit	2,855,906	6,474,376
Interest income	19,370	24,596
Interest expense	(207,705)	(359,289)
Expenses allocated by Parent Company		(573,000)
Other income	13,031	14,039
Income before income taxes	2,680,602	5,580,722
Income taxes	1,287,000	2,352,000
Net income	$ 1,393,602	$ 3,228,722
Net income per share	$ .26	

See notes to unaudited condensed consolidated financial statements.

Jimbo's Jumbos, Incorporated and Subsidiaries

Unaudited Condensed Consolidated Statements of Cash Flows

	Six months ended January 31,	
	1992	**1991**
Operating activities		
Net income	$ 1,393,602	$ 3,228,722
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation of property, plant and equipment	456,000	450,400
Amortization of excess of cost over net assets acquired, deferred compensation and other assets	386,530	350,530
Other, net	(42,613)	240,519
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	3,289,311	(526,072)
(Increase) in inventory	(15,340,875)	(16,537,731)
(Increase) decrease in prepaid expenses	(32,656)	1,218
Increase in accounts payable, accrued expenses and income taxes	605,658	3,569,437
Net cash used in operating activities	(9,285,043)	(9,222,977)
Investing activities		
Purchases of property, plant and equipment	(764,790)	(924,721)
Net cash used in investing activities	(764,790)	(924,721)
Financing activities		
Payment of dividend to parent company	(2,637,864)	
Borrowings under short-term bank notes, net	12,945,000	10,900,000
Repayment of borrowings under short-term bank notes from proceeds of sale of shares	(8,045,000)	
Principal payments on long-term debt		(90,000)
Proceeds from issuance of shares to senior management	400,000	
Proceeds from issuance of shares pursuant to registered public offering, net	7,645,000	
Net cash provided by financing activities	10,307,136	10,810,000
Increase in cash and cash equivalents	257,303	662,302
Cash and cash equivalents at beginning of period	490,285	219,523
Cash and cash equivalents at end of period	$ 747,588	$ 881,825

See notes to unaudited condensed consolidated financial statements.

Jimbo's Jumbos, Incorporated and Subsidiaries

Unaudited Condensed Consolidated Statement of Stockholders' Equity

(In Thousands)

	Common Stock Issued		Additional Paid-In	Retained	Deferred
	Shares	**Amount**	**Capital**	**Earnings**	**Compensation**
Balance at July 31, 1991	4,750	$ 5	$ 31,609	$ 5,429	
Net income				1,393	
Issuance of shares by senior management	250		1,500		$ (1,100)
Issuance of shares pursuant to registered public offering	1,500	2	7,644		
Amortization of deferred compensation					36
Balance at January 31, 1992	6,500	$ 7	$ 40,753	$ 6,822	$ (1,064)

See notes to unaudited condensed consolidated financial statements.

Jimbo's Jumbos, Incorporated and Subsidiaries

Notes to Unaudited Condensed Financial Statements

January 31, 1992

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended January 31, 1992 and 1991 are not necessarily indicative of the results that may be expected for a full fiscal year. For further information, refer to the consolidated financial statements for the year ended July 31, 1991 included in the Company's filing on Form S-1.

2. Inventories are stated at the lower of cost (first-in, first-out) or market. The components of inventory consist of the following:

	January 31, 1992	July 31, 1991
Finished goods	$ 3,894,679	$ 1,457,873
Raw materials	16,225,841	3,587,072
Supplies	765,390	500,090
	$20,885,910	$ 5,545,035

3. On December 13, 1991, the Company completed an initial public offering of 1,500,000 common shares at $6 a share. Prior to this initial public offering, the Company was a wholly owned subsidiary of Chock full O'Nuts Corporation. The initial public offering, together with 250,000 restricted common shares issued by the Company to its executive officers, reduced Chock full O'Nuts Corporation ownership interest to 73%. The Company realized net cash proceeds of approximately $8,000,000 from sale of shares, after underwriting discounts and commissions and expenses of the offering. The Company has issued warrants to the lead underwriter to purchase 150,000 common shares, exercisable for a period of four years commencing one year from the date of the offering, at $8.40 a share (subject to adjustment). The Company has also adopted a stock option plan covering 490,000 common shares. On December 6, 1991, options under the plan to purchase 400,000 common shares at $6 per share were granted to officers and key employees. These options expire 10 years after grant. If such outstanding warrants and options were exercised, Chock full O'Nuts Corporation ownership interest in the Company would be reduced to approximately 67%.

4. Net income per share for the three and six months ended January 31, 1992, respectively, is based on the weighted average number of shares outstanding of 5,929,000 and 5,465,000, respectively. These shares were arrived at by adding 5,000,000 shares of common stock outstanding since August 1, 1991 (representing 4,750,000 shares issued to Chock full O'Nuts Corporation in exchange for all outstanding shares of the Company on October 7, 1991, and 250,000 shares referred to in Note 3 issued at less than the initial public offering price), to the weighted average of the 1,500,000 shares issued on December 6, 1991, pursuant to the registered public offering. No earnings per share is shown for the three and six months ended January 31, 1991 as such periods reflect expenses allocated by Chock full O'Nuts Corporation which have been discontinued subsequent to the 1991 fiscal year in connection with the public offering. Options and warrants are antidilutive and accordingly are not included in the computation.

   The 250,000 shares issued by the Company to its executive officers are subject to restrictions which provide that the shares be returned to the Company in the event employment is terminated under certain conditions prior to periods ranging from approximately 3 to 4 1/2 years. Compensation cost applicable to the 250,000 shares, measured by the inital public offering price, will be charged to expense during the periods the restrictions remain in effect.

Jimbo's Jumbos, Incorporated and Subsidiaries

Management's Discussion and Analysis of Financial Condition and Results of Operations

Operations

The following is Management's discussion and analysis of certain significant factors that have affected the Company's operations during the periods included in the accompanying unaudited condensed consolidated statements of income.

Net sales decreased $6,781,000 or 36% and $8,045,000 or 24% for the three and six months ended January 31, 1992, respectively, when compared to the comparable periods of the prior year. The decrease in net sales for both periods was due to a decrease in pounds sold and a decrease in the average selling price. This was attributable to there being an adequate peanut supply in the current year compared to last years shortages of Georgia and Alabama peanuts which resulted in increased demand and selling price. The full effect of this shortage was felt in the second quarter of fiscal 1991 and remained at this level through the remainder of fiscal 1991.

Operating profit was $1,297,000 (a decrease of 71%) and $2,856,000 (a decrease of 56%) for the three and six months ended January 31, 1992, respectively, as compared to $4,436,000 and $6,474,000 for the comparable periods of the prior year. The decrease in both periods resulted from the aforementioned decrease in net sales, partially offset by a decrease in the cost of peanuts and a decrease in selling, general and administrative expenses. The decrease in selling, general and administrative expenses was primarily attributable to decreases in profit sharing, bonus and bad debt expense, partially offset by an increase in insurance costs.

Interest expense was $180,000 and $208,000 for the three and six months ended January 31, 1992, respectively, as compared to $331,000 and $359,000 for the comparable periods of the prior year. The decrease in both periods results primarily from reduced short term debt of approximately $7 million primarily from the net proceeds from issuance of shares pursuant to the registered public offering.

Expenses allocated by the parent company were $393,000 and $573,000 for the three and six months ended January 31, 1991. This allocation was discontinued subsequent to July 31, 1991.

Income taxes for the six months ended January 31, 1992 was at a rate of 48% as compared to 42% for the comparable period of the prior year. This increase is caused by a decreased income before income taxes for the current period and the resultant increased effect on the tax rate of depreciation and amortization with no tax benefit.

Net income was $573,000 and $1,394,000 for the three and six months ended January 31, 1992, respectively, as compared to $2,139,000 and $3,229,000 for the comparable period of the prior year. The decrease was primarily due to decreased operating profit offset in part by decreased expenses allocated by the parent company and income taxes.

The second half of fiscal 1992 will be impacted by weak selling prices of seed peanuts and other products. This will result in lower profit margins in both the third and fourth quarters.

Jimbo's Jumbos, Incorporated and Subsidiaries

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

As of January 31, 1992, working capital was approximately $15.8 million and the ratio of current assets to current liabilities was approximately 2.7 to 1.

The Company's borrowings under its line of credit are seasonal and reached a peak of $16.9 million during the second quarter. On December 6, 1991, a registration statement covering the public offering by the Company of 1,500,000 shares of its common stock at an initial public offering price of $6 per share became effective. On December 13, 1991, the Company received approximately $8,400,000, after deducting underwriting discounts and commissions, in connection with the sale of the above shares which proceeds were used to reduce short-term debt. Presently, the Company has unused borrowing capacity of approximately $13.6 million under credit facilities of $18.5 million with Wachovia Bank of North Carolina, N.A.

Part II - Other Information

Item 1. Legal Proceedings

None

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits - none
b) Reports on Form 8-K - none

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant duly caused this Report of Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

Jimbo's Jumbos, Incorporated
(Registrant)

March 4, 1992

J Tilmon Keel Jr.

J. Tilmon Keel, Jr.
Chairman and Chief Executive Officer

March 4, 1992

Charles F. Schwartz
Vice President and
Chief Financial and Accounting Officer

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Form 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission file number 0-13203

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LNB Bancorp, Inc.

(Exact name of the registrant as specified on its charter)

Ohio	34-1406303
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
457 Broadway Lorain, Ohio	44052 (Zip Code)

(Address of principal executive offices)

(216) 244 - 6000

Registrant's telephone number, including area code

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MAY 18 1992
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Q-Data Corp. - St. Petersburg, FL

Not Applicable

(Former name, former address and former fiscal if changed since last report)

c30

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such requirements for the past 90 days.

YES X   NO ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding at March 31, 1992
$1.25 par value	2,370,181 shares

ITEM - 1 FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED BALANCE SHEETS

	MARCH 31, 1992	DECEMBER 31, 1991
	(Unaudited)	(See Note 1)
ASSETS:		
Cash and due from banks	$ 16,295,000	$ 17,808,000
Federal funds sold and other interest bearing instruments	15,100,000	6,252,000
Investment securities:		
U.S. Treasury and other government agencies and corporations	77,904,000	76,862,000
States and political subdivisions	16,178,000	18,392,000
Other securities	343,000	346,000
Total investment securities (Market value $95,881,000 and $98,153,000, respectively)	94,425,000	95,600,000
Loans	224,268,000	223,261,000
Less: Reserve for possible loan losses	2,961,000	2,803,000
Net loans	221,307,000	220,458,000
Premises and equipment, net	6,720,000	6,735,000
Other assets	4,915,000	4,351,000
TOTAL ASSETS	$358,762,000	$351,204,000
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Non-interest bearing deposits	$ 42,602,000	$ 43,901,000
Interest bearing deposits	262,016,000	258,052,000
Total deposits	304,618,000	301,953,000
Federal funds purchased and securities sold under agreements to repurchase	21,000,000	16,509,000
Other liabilities	2,428,000	2,604,000
Total liabilities	328,046,000	321,066,000
Shareholders' equity:		
Common stock $1.25 par: Authorized 3,200,000 Outstanding 2,370,181 and 2,366,455 respectively	2,962,000	2,958,000
Additional capital	13,829,000	13,802,000
Retained earnings	13,925,000	13,378,000
Total shareholders' equity	30,716,000	30,138,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$358,762,000	$351,204,000

Note 1: The consolidated balance sheet at December 31, 1991 has been taken from the audited Financial Statements and condensed.

Note 2: See notes to condensed consolidated financial statements.

ITEM - 1 FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	THREE MONTHS ENDED MARCH 31,	
	1992	1991
INTEREST INCOME:		
Interest and fees on loans:		
Taxable	$ 5,234,000	$ 5,794,000
Non-taxable	28,000	45,000
Interest and dividends on securities:		
Taxable	1,365,000	1,358,000
Non-taxable	247,000	272,000
Interest on Federal funds sold and other interest bearing instruments	84,000	163,000
TOTAL INTEREST INCOME	6,958,000	7,632,000
INTEREST EXPENSE:		
Interest on certificates of deposit of $100,000 or more	285,000	406,000
Interest on other deposits	2,405,000	3,116,000
Interest on Federal funds purchased and securities sold under agreements to repurchase	150,000	297,000
Other interest	-0-	1,000
TOTAL INTEREST EXPENSE	2,840,000	3,820,000
NET INTEREST INCOME	4,118,000	3,812,000
Provision for possible loan losses	150,000	125,000
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES	3,968,000	3,687,000
OTHER INCOME:		
Income from fiduciary activities	150,000	145,000
Service charges on deposit accounts	369,000	358,000
Other charges fees and exchanges	323,000	352,000
Security gains	-0-	-0-
Other operating income	6,000	4,000
TOTAL OTHER INCOME	848,000	859,000
OTHER EXPENSES:		
Salaries and benefits	1,683,000	1,609,000
Net occupancy expense	278,000	266,000
Furniture and equipment expense	449,000	432,000
FDIC deposit insurance premium	169,000	135,000
Other operating expenses	986,000	977,000
TOTAL OTHER EXPENSES	3,565,000	3,419,000
INCOME BEFORE FEDERAL INCOME TAXES	1,251,000	1,127,000
FEDERAL INCOME TAXES	349,000	296,000
NET INCOME	$ 902,000	$ 831,000
PER SHARE DATA:		
NET INCOME	$ .37	$ .35
CASH DIVIDENDS	$ .15	$ .14

Unaudited

ITEM - 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED MARCH 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received	$ 6,737,000	$ 7,298,000
Other income received	954,000	762,000
Interest paid	(3,013,000)	(3,870,000)
Cash paid for salaries and benefits	(1,724,000)	(1,658,000)
Net occupancy expense of premises paid	(208,000)	(197,000)
Furniture and equipment expenses paid	(197,000)	(182,000)
Cash paid for supplies and postage	(199,000)	(179,000)
Cash paid for other operating expenses	(1,540,000)	(746,000)
Federal income taxes paid	(149,000)	(175,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES:	661,000	1,053,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investment securities	8,891,000	8,772,000
Purchases of investment securities	(7,696,000)	(7,319,000)
Net (increase) in long-term loans	(1,658,000)	(1,034,000)
Net decrease in credit card loans	666,000	805,000
Purchases of bank premises and equipment	(320,000)	(265,000)
Proceeds from sales of bank premises & equipment	42,000	20,000
Purchases of software	(16,000)	0
NET CASH USED IN INVESTING ACTIVITIES	(111,000)	979,000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (decrease) in demand and other non-interest bearing deposits	(1,299,000)	(4,501,000)
Net increase (decrease) in savings and passbook deposits	8,142,000)	(1,883,000)
Net increase (decrease) in time deposit	(4,178,000	9,926,000
Net increase (decrease) in federal funds purchased and other interest bearing instruments	4,491,000	(564,000)
Proceeds from exercise of stock options	31,000	24,000
Dividends paid	(402,000)	(364,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	6,785,000	2,638,000
NET INCREASE IN CASH AND CASH EQUIVALENNTS	7,335,000	4,670,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF QUARTER	24,060,000	22,581,000
CASH AND CASH EQUIVALENTS AT END OF QUARTER	$31,395,000	$27,251,000

See notes to condensed consolidated financial statements.

ITEM - 1 FINANCIAL STATEMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

The Condensed consolidated balance sheet as of March 31, 1992, the condensed consolidated statements of income and the condensed consolidated statements of cash flows for the three months ended March 31, 1992 and 1991 have been prepared by the Corporation, without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and changes in cash flows at March 31, 1992 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Corporation's December 31, 1991 Annual Report to Shareholders. Certain 1991 amounts have been reclassified to conform to 1992 presentation. The results of operations for the period ended March 31, 1992 are not necessarily indicative of the operating results for the full year.

2. PER SHARE DATA

Earnings per common and common equivalent shares (stock options) have been computed using the weighted average number of shares outstanding during each period after giving consideration to the dilutive effect of incentive stock options and a 3% stock dividend which was approved by shareholders during 1991.

ITEM - 2 MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATION

FINANCIAL CONDITION

Total assets of the Corporation increased $7,558,000 during the first quarter, reaching a new quarter end high of $358,762,000. Net loans increased $849,000 during the quarter to $221,307,000 at March 31, 1992. A portion of the funds generated from growth and operations have been invested in Federal funds. Total investment securities decreased $1,175,000 ending the quarter at $94,425,000. At March 31, 1992, net unrealized gains and (losses) in the investment securities portfolio were approximately $1,659,000 and ($203,000), respectively.

The reserve for possible loan losses ended the quarter at $2,961,000 supported by a provision for loan losses charged against net income of $150,000 and net loan loss recoveries of $8,000. At the end of 1991, the Corporation had non-accrual loans totalling $994,000. At March 31, 1992 non-accrual loans had decreased to $709,000. There are no significant concentrations of credit in the loan portfolió.

Federal funds sold and other interest bearing investments increased $8,848,000 during the first quarter of 1992. This increase is partially reflected in the $4,491,000 increase in Federal funds purchased and securities sold under agreements to repurchase.

ITEM - 2 (Continued)

The Corporation had outstanding loan and credit commitments to make loans totaling $47,258,000 and $38,076,000 at March 31, 1992 and 1991, respectively.

Total deposits increased $2,665,000 during the first quarter to $304,618,000. Non-interest bearing deposits declined to $42,602,000, at March 31, 1992 for a decrease of $1,299,000, while interest bearing deposits climbed to $262,016,000 for an increase of $3,964,000. As noted above, Federal funds sold and securities sold under agreements to repurchase increased $4,491,000 during the quarter. Due to the volatility of customer repurchase agreements, all funds generated by repurchase activity enter the Corporation's earning assets as short-term investments.

LIQUIDITY

The Corporation continues to maintain a highly liquid position in order to take advantage of interest rate fluctuations. As of March 31, 1992, short-term security investments with maturities of one year or less totalled $34,967,000 which represented 37.0% of total securities. Adding cash and due from banks of $16,295,000, and Federal funds sold of $15,100,000 total liquid assets represented 18.5% of total assets.

CAPITAL RESOURCES

Total shareholders' equity increased to $30,716,000, at March 31, 1992. The increase resulted primarily from $902,000 of net income generated from first quarter operations less a cash dividend payable to shareholders of $355,000. The Corporation continues to monitor growth to stay within the constraints established by the regulatory authorities. The Corporation exceeds all applicable capital and leverage requirements: including those calculated using the more stringent guidelines which do not go into effect until December 31, 1992.

	Calculated Under Guidelines Effective December 31,	
	1990	1992
Tier 1 capital ratio	14.33%	14.33%
Required Tier 1 capital ratio	3.63%	4.00%
Total capital ratio	15.71%	15.53%
Required total capital ratio	7.25%	8.00%
Leverage ratio	N/A	8.63%
Required leverage ratio	N/A	3.00%

The Corporation has no plans for any material changes in its methods of operations, but acknowledges the need to draw additional capital to support normal expansion. There were no material commitments (other than the loan commitments described above) outstanding at March 31, 1992.

ITEM - 2 (Continued)

RESULTS OF OPERATIONS

Interest and fees on loans shows a decrease when compared to the first quarter of 1991. This decrease was the net result of the impact of rate reductions which more than offset the impact of loan portfolio growth. Interest and dividends on securities was $1,612,000 for the first quarter of 1992 for a decrease of $28,000 over the same period in 1991. Interest and dividends on securities represented 23.2% of total interest income at March 31, 1992 compared to 21.4% at March 31, 1991. Interest on Federal funds sold and other interest bearing instruments was $84,000 at March 31, 1992 compared to $163,000 at March 31, 1991. The decrease resulted from sharply lower rates and a 20% decrease in the average balance invested in this form of investment.

Total interest expense decreased by $980,000 when compared to the first quarter of 1991. The impact of increases in volume were more than offset by decreases in rates and reflects the rapid downward repricing of short-term certificates of deposit and securities sold under agreements to repurchase. Declining rates on savings and interest bearing transaction accounts also contributed to this reduction in total interest expense.

Total other income remained at a level consistent with the first quarter of 1991.

The Corporation continuously monitors non-interest expenses for greater profitability. The entire staff is geared to improving productivity at all levels. Non-interest expense for the quarter ended March 31, 1992 was $3,565,000, 4.2% above the first quarter of 1991. This increase was due primarily to increases in salaries and benefits, the impacts of inflation, and increased FDIC deposit insurance premiums.

The effective tax rate increased from 26.3% during the first quarter of 1991 to 27.9% during the first quarter of 1992. The increase in the effective rate is primarily due to a decrease in non-taxable loan and securities income. Net income was $902,000 and $831,000 for the quarters ended March 31, 1992 and 1991, respectively. Net income per share after adjusting for the 3% stock dividend made in 1991 was $.37 and $.35 for the quarters ended March 31, 1992 and 1991, respectively.

IMPACTS OF ACCOUNTING AND REGULATORY PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued a Statement of Financial Accounting Standards (SFAS) which warrants discussion.

SFAS 109 "Accounting for Income Taxes" (As Amended)
Implementation date by the Corporation: January 1, 1993
Impact on the Corporation: The most significant impact will be in the area of recognition of deferred taxes. The amount of taxes recognized for financial statement purposes will probably be more than would have been recognized, using current accounting standards. Corporate Management does not believe that adoption of SFAS 109 will have a significant impact on net income.

ITEM - 2 (Continued)

IMPACTS OF ACCOUNTING AND REGULATORY PRONOUNCEMENTS (Continued)

Significant actions by the Federal government and its agencies, effecting the financial institutions industry, is currently having and will continue to impact the Corporation:

"The President's Reform Plan for the Savings and Loan Industry" and subsequent action by the FDIC:
Effective date (direct impact on the Corporation): January 1, 1990
Impact on the Corporation: The deposit insurance premiums which the Corporation's bank subsidiary pays were increased in 1990 and 1991. The impact of these premium increases on the Corporation will result in an increase in annual pretax premiums of approximately $105,000 in 1992.

"Federal Deposit Insurance Corporation Improvement Act of 1991"
Effective date (direct impact on the Corporation):
December 31, 1991
Impact on the Corporation: The overall cost of regulatory compliance will result in additional, but immaterial operating expenses. The implimentation of the "Truth in Savings" provisions may result in increases in interest expense on certain types of deposits. The increases in interest expense are not expected to be material. There may be additional impacts on the Corporation when final regulations are promulgated.

Part II

ITEM - 1 Legal Proceedings

Nothing to report.

ITEM - 2 Changes in Securities

See Item 4, (c), (1).

ITEM - 3 Defaults Upon Senior Securities

Nothing to report.

ITEM - 4 Submission of Matters to a Vote of Security Holders

(a) LNB Bancorp Inc.'s 1992 Annual Meeting of Shareholders was held on April 21, 1992.

(b) Proxies were solicited by LNB Bancorp Inc.'s management pursuant to Regulation 14 under the Securities Exchange Act of 1934, there was no solicitation in opposition to management's nominees for election to the board of directors as listed in the proxy statement, and all such nominees were elected to the classes in the proxy statement pursuant to the vote of the stockholders.

ITEM - 4 Submission of Matters to a Vote of Security Holders (Continued)

(c) Other matters voted upon - complete descriptions of the matters voted upon is contained in Item 6, (b)

(1) A proposed three percent (3%) common stock dividend (totaling 71,106 shares) payable to shareholders of record April 21, 1992 was approved; increasing the total number of shares outstanding to 2,441,287. The vote on Item 4, (c), (1):

FOR	1,963,875
AGAINST	782
ABSTAIN	9,857

The total number of shares of LNB Bancorp, Inc. Common Stock, $1.25 par value, outstanding as of March 16, 1992, the record date of the Annual Meeting, was 2,370,181.

ITEM - 5 Other Information

Nothing to report.

ITEM - 6 Exhibits and Reports on Form 8-K

(a) Exhibit (11) - Computation of Shares Used for Earnings Per Share Calculation.

(b) Exhibit (13) - First Quarter Report to shareholders of LNB Bancorp, Inc., March 31, 1992.

(c) Exhibit (28) - Notice of Annual Meeting to Shareholders and Proxy Statement.

(d) Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended March 31, 1992.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LNB BANCORP, INC.
(registrant)

Date: May 13, 1992

Gregory D. Friedman,
Senior Vice President &
Chief Financial Officer

LNB Bancorp, Inc.

Exhibit to Form 10-Q

(For the three months ended March 31, 1992)

S - K Reference Number (11)

Computation of Shares Used for Earnings Per Share Calculation.

	Three Months Ended March 31	
	1992	1991
Weighted Average Shares Outstanding	2,369,075	2,344,010
Common Stock Equivalents (Stock Options)	46,523	58,043
	2,415,598	2,402,053

LNB Bancorp, Inc.

Exhibit to Form 10 - Q

(For the three months ended March 31, 1992)

S - K Reference Number (13)

First Quarter Report to Shareholders of
LNB Bancorp, Inc. (dated March 31, 1992)

BANK OFFICES

MAIN OFFICE
457 Broadway
Lorain, Ohio
(216) 244-6000

SIXTH STREET DRIVE-IN
200 Sixth Street
Lorain, Ohio
(216) 244-6000

KANSAS AVENUE OFFICE
1604 Kansas Avenue
Lorain, Ohio
(216) 288-9151

PEARL AVENUE OFFICE
2850 Pearl Avenue
Lorain, Ohio
(216) 277-1103

PLAZA OFFICE
1147 Meister Road
Lorain, Ohio
(216) 282-9196

W. 37TH & OBERLIN AVENUE AUTO BANK
3660 Oberlin Avenue
Lorain, Ohio
(216) 244-6000

WEST PARK DRIVE OFFICE
2130 West Park Drive
Lorain, Ohio
(216) 244-0686

AMHERST OFFICE
1175 Cleveland Avenue
Amherst, Ohio
(216) 988-4423

AVON LAKE OFFICE
240 Miller Road
Avon Lake, Ohio
(216) 933-2156

SECOND STREET OFFICE
221 Second Street
Elyria, Ohio
(216) 323-4621

CLEVELAND STREET OFFICE
Corner of Cleveland
Street & Rt. 57
Elyria, Ohio
(216) 365-8397

LAKE AVENUE & ROUTE 254 OFFICE
42935 E. North Ridge Road
Elyria, Ohio
(216) 233-7196

OBERLIN OFFICE
40 East College Street
Oberlin, Ohio
(216) 775-1361

VERMILION OFFICE
4455 Liberty Avenue
Vermilion, Ohio
(216) 967-3124

OLMSTED OFFICE
27095 Bagley Road
Olmsted Twp., Ohio
(216) 235-4600

THE CROSSING OF WESTLAKE OFFICE
30210 Detroit Road
Westlake, Ohio
(216) 892-9696

OPERATIONS CENTER
2130 West Park Drive
Lorain, Ohio
(216) 244-6000

LNB Bancorp, Inc.
and its subsidiary Lorain National Bank

LNB BANCORP, INC.
QUARTERLY REPORT
1992

The
OUR CUSTOMERS
Wind
OUR SHAREHOLDERS
Beneath
OUR EMPLOYEES
Our
OUR COMMUNITY
Wings

MARCH 31, 1992

͏NSOLIDATED BALANCE SHEETS

	March 31 1992	 1991
TS:		
ınd Due from Banks	$ 16,295,000	$ 17,151,000
al Funds Sold	15,100,000	9,900,000
ment Securities	94,425,000	81,039,000
	224,268,000	221,500,000
Reserve for Possible Loan Losses	2,961,000	2,730,000
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es and Equipment (net)	6,720,000	6,969,000
Assets	4,915,000	5,716,000
AL ASSETS	$358,762,000	$339,645,000
ILITIES AND SHAREHOLDERS' EQUITY:		
Interest Bearing Deposits	$ 42,602,000	$ 37,611,000
st Bearing Deposits	262,016,000	251,838,000
AL DEPOSITS	304,618,000	289,449,000
ities Sold under Repurchase Agreements	21,000,000	19,198,000
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AL LIABILITIES	328,046,000	311,249,000
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LNB
Bancorp, Inc.

and its subsidiary Lorain National Bank

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31 1992	 1991
INTEREST INCOME:		
Interest and Fees on Loans	$ 5,262,000	$ 5,839,000
Interest and Dividends on Investments	1,612,000	1,632,000
Interest on Federal Funds Sold	84,000	163,000
TOTAL INTEREST INCOME	6,958,000	7,632,000
INTEREST EXPENSE:		
Interest on Deposits	2,690,000	3,522,000
Interest on Securities Sold under: Repurchase Agreements	150,000	297,000
Other Interest Expense	-0-	1,000
TOTAL INTEREST EXPENSE	2,840,000	3,820,000
NET INTEREST INCOME	4,118,000	3,812,000
Provision for Loan Losses	150,000	125,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,968,000	3,687,000
OTHER INCOME:		
Trust Department Income	150,000	145,000
Fees and Service Charges	692,000	710,000
Gains From Security Transactions	-0-	-0-
Other Operating Income	6,000	4,000
TOTAL OTHER INCOME	848,000	859,000
OTHER EXPENSES:		
Salaries and Employee Benefits	1,683,000	1,609,000
Net Occupancy Expense	278,000	266,000
Furniture and Equipment Expenses	449,000	432,000
FDIC Deposit Insurance Premium	169,000	135,000
Other Operating Expenses	986,000	977,000
TOTAL OTHER EXPENSES	3,565,000	3,419,000
INCOME BEFORE FEDERAL TAXES	1,251,000	1,127,000
Federal Income Taxes	349,000	296,000
NET INCOME	$ 902,000	$ 831,000
PER SHARE DATA.		
NET INCOME	$.37	$.35
DIVIDENDS DECLARED	$.15	$.14

The per share data has been adjusted to reflect the three percent stock dividend in 1991. Net income per share is based on weighted average common and common equivalent shares outstanding.

CONSOLIDATED BALANCE SHEETS

	March 31 1992	1991
ASSETS:		
Cash and Due from Banks	$ 16,295,000	$ 17,351,000
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TOTAL DEPOSITS	304,618,000	289,449,000
Securities Sold under Repurchase Agreements	21,000,000	19,198,000
Other Liabilities	2,428,000	2,602,000
TOTAL LIABILITIES	328,046,000	311,249,000
Common Stock	2,962,000	2,848,000
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$358,762,000	$339,645,000

LNB Bancorp, Inc.

and its subsidiary Lorain National Bank

CONSOLIDATED STATEMENTS OF INCOME

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DIVIDENDS DECLARED	$.15	$.14

The per share data has been adjusted to reflect the three percent stock dividend in 1991. Net income per share is based on weighted average common and common equivalent shares outstanding.

LNB Bancorp, Inc.

Exhibit to Form 10 - Q

(For the three months ended March 31, 1992)

S - K Reference Number (28)

Notice of Annual Meeting of Shareholders and Proxy Statement

LNB BANCORP, INC.
LORAIN, OHIO

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF
LNB BANCORP, INC. March 16, 1992

The Annual Meeting of Shareholders of LNB Bancorp, Inc. will be held at 521 Broadway, Lorain, Ohio 44052, on Tuesday, April 21, 1992, at 10:00 a.m., Eastern Daylight Savings Time, for the purpose of considering and voting upon the following matters as more fully described in the Proxy Statement.

PROPOSALS:

1. ELECTION OF DIRECTORS - To elect five (5) directors to hold office until their term expires (April 18, 1995) or until their successors are elected and qualified.
2. STOCK DIVIDEND - Increase of the outstanding common stock of LNB Bancorp, Inc. by declaration of a 3% stock dividend consisting of approximately 71,067 shares of common stock of $1.25 par value each, and the terms and conditions thereof.
3. OTHER BUSINESS - Taking actions on any other matters which may be brought before said meeting of any adjournment thereof.

Shareholders of record at the close of business on March 16, 1992 will be entitled to vote the number of shares held of record in their names on that date. The transfer books will not be closed.

We urge you to sign and return the enclosed proxy as promptly as possible, whether or not you plan to attend the meeting in person. This proxy may be revoked prior to its exercise.

By Order of the Board of Directors

Thomas P. Ryan
First Senior Vice President
& Corporate Secretary

LNB BANCORP, INC.
457 BROADWAY
LORAIN, OHIO 44052
PROXY STATEMENT
MARCH 16, 1992

This proxy solicitation is made on behalf of the Board of Directors of LNB Bancorp, Inc., (hereinafter called the "Company") being a One Bank Holding Company owning all of the stock of the Lorain National Bank (hereinafter called the "Bank"). As of this date, the number of shares of common stock outstanding and entitled to vote at the Annual Meeting of Shareholders to be held on April 21, 1992, is 2,368,871 except that 107,702 shares held by the Trust Department as sole trustee may not be voted in the election of directors. Only those shareholders of record at the close of business on March 16, 1992 shall be entitled to vote. This proxy may be revoked prior to its exercise. The cost of this solicitation is being paid by the Company

VOTING

Each shareholder shall be entitled to one vote for each share of stock standing in his name on the books of the Corporation. No holder of shares of any class shall have the right to vote cumulatively in the election of directors.

Shares of common stock represented by proxies in the accompanying form which are properly executed and returned to the Company will be voted at the Annual Meeting of Shareholders in accordance with the shareholders' instruction contained in such proxies. Where no such instructions are given, the shares will be voted for the election of directors as described herein; in support of the stock dividend; and at the discretion of the proxy holders on such other matters as may come before the meeting. The Board of Directors has no reason to believe that any of the nominees will be unable to serve as a Director. In the event, however, of the death or unavailability of any nominee or nominees, the Proxy to that extent will be voted for such other person or persons as the Board of Directors may recommend.

ELECTION OF DIRECTORS

Article III provides that directors are to be divided into three equal classes. Each class serves a term of three years, or until their respective successors are elected and qualified. In that the term of office for five members of the present Board of Directors will expire on April 21, 1992, the management has nominated the hereinafter named five individuals for election to serve until April 18, 1995, or until their successors are elected and qualified.

Other nominations may be made only in accordance with the notice procedures set forth in Article III of the Code of Regulations of the Company. The procedure states that nominations for election to the Board of Directors may be made by the Board of Directors or by any shareholder of any outstanding class of capital stock of the Company entitled to vote for the election of directors. Nominations, other than those made by or on behalf of the existing management of the Company, shall be made in writing and shall be delivered or mailed to the President of the Company not less than fourteen (14) days nor more than fifty 50 days prior to any meeting of stockholders called for the election of directors, provided, however, that if less than twenty-one (21) days notice of the meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the Company not later than the close of business on the seventh (7th) day following the day on which the notice of the meeting was mailed. Such notification shall contain the following information as to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of shares of capital stock of the Company that will be voted for each proposed nominee; (d) the name and resident address of the notifying shareholder; and (e) the number of shares of capital stock of the Company owned by the notifying shareholder. Nominations not made in accordance herewith may, at his discretion, be disregarded by the Chairman of the meeting, and upon his instructions, the vote teller may disregard all votes cast for each such nominee.

Unless otherwise instructed, it is the intention of the persons named in the proxy to vote for the election of the following five nominees

1) Daniel P. Batista
2) David M. Koethe
3) Stanley G. Pyor
4) Eugene M. Sofranko
5) Leo Weingarten

The following individuals are directors whose term of office is scheduled to expire on April 20, 1993

1) James L. Bardoner
2) Wellsley O. Gray
3) Benjamin G. Norton
4) Don A. Sanborn
5) T.L. Smith, M.D.

The following individuals are directors whose term of office is scheduled to expire on April 19, 1994:

1) James F. Kidd
2) James H. Riddell
3) Thomas P. Ryan
4) Dan C. Smith
5) Paul T. Stack

NAME AND AGE	PRINCIPAL OCCUPATION FOR THE PAST FIVE YEARS	LORAIN NATIONAL BANK DIRECTOR SINCE	LNB BANCORP, INC. DIRECTOR SINCE
JAMES L. BARDONER Age 73 (1-2-4-5)	RETIRED, FORMER PRESIDENT Dorn Industries, Inc. (Manufacturing Company)	1974	1983
DANIEL P. BATISTA Age 57 (2-3-5-7)	ATTORNEY	1976	1983
WELLSLEY O. GRAY Age 58 (1-3)	SALES REPRESENTATIVE Smith Dairy Company	1973	1983
JAMES F. KIDD Age 52	EXECUTIVE VICE PRESIDENT AND TREASURER LNB Bancorp, Inc.		1989
	EXECUTIVE VICE PRESIDENT Lorain National Bank	1989	
DAVID M. KOETHE Age 56 (2-3-4-5)	CHAIRMAN OF THE BOARD The Lorain Printing Company	1975	1983
BENJAMIN G. NORTON Age 52 (3-6)	EMPLOYEE AND COMMUNITY RELATIONS MANAGER Reliance Comm/Tec Corporation - Lorain Products Division	1983	1983
STANLEY G. PIJOR Age 61 (2-3-4)	PRESIDENT AND CHIEF EXECUTIVE OFFICER LNB Bancorp, Inc.		1983
	PRESIDENT AND CHIEF EXECUTIVE OFFICER Lorain National Bank	1969	
JAMES H. RIDDELL Age 65 (1-4-5-6)	PRESIDENT Consumers Builders Supply Company & Consumeracq, Inc.	1970	1983
THOMAS P. RYAN Age 53	1ST SENIOR VICE PRESIDENT & CORPORATE SECRETARY LNB Bancorp, Inc.		1989
	1ST SENIOR VICE PRESIDENT & CORPORATE SECRETARY Lorain National Bank	1989	
DON A. SANBORN Age 68 (1-3)	RETIRED	1971	1983

NAME AND AGE	PRINCIPAL OCCUPATION FOR THE PAST FIVE YEARS	LORAIN NATIONAL BANK DIRECTOR SINCE	LNB BANCORP, INC. DIRECTOR SINCE
DAN C. SMITH Age 82	PRESIDENT D.C.S., Inc. (Investments)	1961	1983
T.L. SMITH, M.D. Age 78 (1-2-4-5)	PHYSICIAN	1968	1983
EUGENE M. SOFRANKO Age 61 (1-2-4-5)	PRESIDENT & GENERAL MANAGER Lorain Glass Company, Inc.	1974	1983
PAUL T. STACK Age 62 (1-2-3)	MANUFACTURER'S REPRESENTATIVE Coley's Inc. and A-1 Welding and Fabricating, Inc.	1974	1983
LEO WEINGARTEN Age 72 (2-4-5)	OWNER Lorain House Lumber Company	1964	1983

(1) Member of Audit Committee

(2) Member of Executive Committee

(3) Member of Trust Committee

(4) Member of Pension/Fringe Benefit Committee

(5) Member of Incentive Stock Option Committee

(6) Executive Committee Alternate

(7) Mr. Daniel P. Batista is a member of the law firm of Cook and Batista Co., L.P.A. which the Bank has retained as a legal counsel for the last several years. During the last fiscal year, the Bank paid to Mr. Batista's firm legal fees in an amount of $101,484.21. It is anticipated that this relationship will continue during the current fiscal year.

DIRECTOR'S COMMITTEES

The Bank has five (5) standing committees upon which members of the Board of Directors serve. They are

1) The Audit Committee
2) The Executive Committee
3) The Trust Committee
4) The Pension/Fringe Benefit Committee
5) The Incentive Stock Option Committee

Membership of each of these committees is indicated by footnote on the preceding pages.

The Audit Committee met three times during the last fiscal year. It establishes policies for the administration of the Bank's Audit Department. The Executive Committee met thirteen (13) times during the last fiscal year. This committee is authorized to approve matters relating to loans, the purchase of bills, notes, and other evidence of debt. The Trust Committee reviews the various trusts accepted by the Bank's Trust Department. It held six (6) meetings during the last fiscal year. The Pension/Fringe Benefit Committee reviews indirect compensation of officers and employees. It did not meet during the last fiscal year. The Incentive Stock Option Committee determines who will receive stock options and the number of shares to be granted under the terms of the Incentive Stock Option Plan. It held one (1) meeting during the last fiscal year. The Bank has no designated Nominating Committee. Nominees for the Board of Directors are determined by a vote of the total Board of Directors.

The Bank held thirteen (13) Board of Directors meetings during the last fiscal year. Of the directors who served during 1991, Dan C. Smith and Leo Weingarten attended fewer than 75% of the total number of meetings of the Board of Directors and all committee meetings of which the aforementioned directors were members.

The Company held five (5) Board of Directors meetings during the last fiscal year. Of the directors who served during 1991, no one attended fewer than 75% of the total of five (5) meetings held.

All of the directors of the Company are also directors of the Bank. A director's fee of $300.00 is paid to those directors, who are not officers, for each meeting attended. Directors, who are also officers, receive a fee of $150.00 for their attendance at the Company's board meetings and receive no director's fees for their attendance at the meetings of the Bank's board.

EXECUTIVE COMPENSATION

The following table sets forth the cash compensation paid by the Bank and Company for services performed during 1991 by the five most highly compensated executive officers of the Bank and Company, and the amount of cash compensation paid to all executive officers as a group.

CASH COMPENSATION TABLE

Name of Individual or Number in Group	Capacity in Which Served	Cash Compensation
S. G. Pijor	President (Bank) Director (Company)	$156,225.25 $ 750.00
J. F. Kidd	Executive V.P. (Bank) Director (Company)	$ 80,726.92 $ 600.00
T. P. Ryan	First Senior V.P. & Corporate Secretary (Bank) Director (Company)	$ 75,221.16 $ 750.00
E. N. Mason	Senior V.P. (Bank)	$ 63,557.69
W. H. DoBrunz	Senior V.P. (Bank)	$ 62,715.30
All Executive Officers as a Group (9 individuals including the above named)	President, Exec. V.P., 1st Senior V.P., & Sr. V.P.'s (Bank & Company)	$660,723.24

On December 31, 1987, an Employment Agreement was entered into between Stanley G. Pijor and The Lorain National Bank. The Agreement became effective January 1, 1988 and shall remain in effect through May 31, 1995 and may be renewed year to year thereafter at the option of the parties. The Agreement provides for Mr. Pijor to maintain the highest executive position in the organization. Mr. Pijor shall be compensated at the initial rate of One Hundred Twenty Nine Thousand Six Hundred Seventy Five Dollars ($129,675.00) with a five (5%) percent raise on June 1, 1988. Effective June 1st of each year thereafter, Mr. Pijor shall be granted a five (5%) percent raise. Mr. Pijor will continue to receive his present fringe benefits and such additional benefits as are set forth in the Bank's Employee Benefit Program. In addition, a supplemental retirement agreement was entered into between the Bank and Mr. Pijor, the provisions of which are more fully described under the heading "Supplemental Retirement Agreement". In determining the compensation payable under these two (2) agreements, the Board of Directors reviewed compensation paid to presidents of financial institutions similar in size to the Lorain National Bank. Based upon this review and the exemplary performance of Mr. Pijor, it is the opinion of the Board of Directors that the compensation agreed to is appropriate.

PENSION PLAN

The Bank provides a Pension Plan for the benefit of all its employees. The amount of contributions with respect to a specific person is not and cannot readily be calculated on an individual basis. No additional contribution was required to the Bank's plan in 1991. Every employee of the Bank is eligible to become a member of the Plan on January 1st and July 1st immediately following his or her 21st birthday, provided (a) he/she has completed one year of continuous service with the Bank; and (b) he/she has worked 1,000 hours or more in the previous 12 month period. The Pension Plan provides a pension for employees who retire with twenty-five (25) or more years of service, the amount of which is based upon a percentage of the employee's final average annual compensation. In addition to benefits payable upon retirement after reaching normal retirement age (age 65), the Pension Plan provides early retirement benefits, deferred vested benefits and certain surviving spouse benefits. The table below sets forth the annual estimated pension payable at normal retirement age:

Final Average Annual Compensation	Employee's Annual Pension Payment Assuming Minimum of 25 Years of Service
$160,000	$82,783
145,000	74,720
130,000	66,658
115,000	58,595
100,000	50,533
85,000	42,470
75,000	37,095
55,000	26,345

The amounts shown in the foregoing table represent the annual pension payable in a 10 year Certain and Life Annuity, assuming that the employee had completed twenty-five (25) years of service. No adjustments in these annual pension payments are made for Social Security payments that the employee may receive. All the executive officers named in the Cash Compensation Table have or will have earned more than twenty-five (25) years of service under the provisions of the Pension Plan.

Supplemental Retirement Agreement

As stated on the previous page on December 31, 1987, the Bank entered into a Supplemental Retirement Agreement ("SRA") with Mr. Stanley G. Pijor. The purpose of the SRA is to provide supplemental retirement benefits to Mr. Pijor in addition to the benefits provided by the Bank's qualified retirement plans. The SRA has been adopted to assist the Bank in retaining the services of Mr. Pijor through his normal retirement date. The SRA is designed to provide for the monthly payment or annual payment (at Mr. Pijor's elections) in the event of (a) normal retirement on or after July 1, 1995, (b) early retirement on or after July 1, 1992, (c) permanent disability[1], (d) death[2], or (e) discharge "without cause"[3]. Under terms of this agreement, Mr. Pijor will receive annual supplemental retirement benefits for 10 years of $50,000 if he retires at age 65 or after; $37,500 if he retires at age 64; $25,000 if he retires at age 63, $12,500 if he retires at age 62 and zero supplemental benefits if he retires before age 62. The SRA is a nonqualified, unfunded, noncontributory defined benefit agreement the cost for which will be Thirty Seven Thousand Four Hundred Thirty One Dollars and Twenty Cents ($37,431.20) annually for the next four (4) years.

Notes

[1] If disability occurs prior to July 1, 1995, Mr. Pijor will receive the Fifty Thousand Dollar ($50,000.00) supplemental benefit as if he had retired on or after July 1, 1995.

[2] If death occurs after Mr. Pijor has established eligibility benefits (i.e., meeting the age requirements) then the applicable benefit, based on the corresponding age, will be paid to the appropriate beneficiaries.

[3] If discharge "without cause" occurs, Mr. Pijor will receive the Fifty Thousand Dollar ($50,000.00) supplemental benefit as if he had remained employed until his normal retirement date (i.e., July 1, 1995).

STOCK PURCHASE PLAN

The Bank also maintains a voluntary Stock Purchase Plan. Under the provisions of this Plan, a participating employee can contribute up to 6% of their compensation. The Bank then makes a contribution equal to 50% of each participant's contribution. The money so contributed is then used to purchase LNB Bancorp, Inc. stock, at fair market value, which is subsequently distributed to the participating employees under the provisions of the Plan. For the year 1991, the Bank contributed the sum of $4,617.40 for the benefit of Mr. S. G. Pijor, and $2,382.41 for the benefit of Mr. J. F. Kidd and, $2,175.11 for the benefit of Mr. T. P. Ryan and, $1,898.19 for the benefit of Mrs. E. N. Mason and $1,864.86 for the benefit of Mr. W. H. DoBrunz. The sum of $18,454.50 was contributed for the benefit of the nine executive officers of the Bank listed in the Cash Compensation Table. It is contemplated that this Plan will continue in the future with similar payments being made. Every Bank employee is eligible to become a member of the Plan provided: (a) he/she has completed one year of continuous service, (b) he/she is 21 years of age, and (c) he/she has worked 1,000 hours or more in the previous 12 month period.

EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

The Bank has also established for its employees an Employee Stock Ownership Plan (ESOP). Based upon the profits of the Bank, the Board of Directors (in its sole discretion), annually determines the sum of money to be contributed into this Plan. These monies are then allocated among the Plan's participants on a fractional basis, the numerator of which is the participant's compensation, the denominator of which is the total compensation of all participants. The funds, and the earnings therein are invested in L.N.B. Bancorp, Inc. stock, which is purchased at fair market value, and then held in trust for distribution to the participants upon retirement, death, disability, or in some cases, upon termination of employment. For the year 1991, the Bank contributed the sum of $8,431.87 for the benefit of Mr. S. G. Pijor, $4,357.04 for the benefit of Mr. J. F. Kidd, $4,059.88 for the benefit of Mr. T. P. Ryan, $3,430.37 for the benefit of Mrs. E. N. Mason and $3,384.90 for the benefit of Mr. W. H. DoBrunz. The sum of $35,865.46 was contributed for the benefit of the nine executive officers of the Bank listed in the Cash Compensation Table. Every Bank employee is eligible to become a member of the Plan provided (a) he/she has completed one year of continuous service, (b) he/she is 21 years of age, and (c) he/she has worked 1,000 hours or more in the previous 12 month period.

INCENTIVE STOCK OPTION PLAN

The shareholders of the Company approved on April 16, 1985 an Incentive Stock Option Plan which provides certain officers of the Bank the opportunity to purchase common stock of the Company through options. Those officers who received these options and the number granted shall be determined by a committee of the Bank's Board of Directors none of whose members may be participants in the Plan. The option price shall be equal to the fair market value of the stock at the time the option is granted, and the option must be exercised within ten (10) years after the date of issue. During 1991 some 15,285 options, which had been previously granted under the Bank's 1982 and 1985 Incentive Stock Option Plans, to executive officers included in the Cash Compensation Table, were exercised. Mr. S. G. Pijor exercised 4,530, Mr. J. F. Kidd exercised 2,037, Mr. T. P. Ryan exercised 5,796 and Mrs. E. N. Mason exercised 1,176 of these options. The net value realized from the purchase of the securities (market value less any exercise price) was $262,303.57 to the executive officers included in the Cash Compensation Table. Net value was $80,761.66 to Mr. S. G. Pijor, $33,653.07 to Mr. J. F. Kidd, $95,755.14 to Mr. T. P. Ryan and $31,494.87 to Mrs. E. N. Mason.

BENEFICIAL OWNERSHIP OF SHARES

The following table reflects as of December 31, 1991, any person known to the Company to be the beneficial owner of more than 5% of any class of the Company's voting securities, consisting of common stock only, as well as the total number of shares of common stock beneficially owned by each director, nominee, and the director and executive officers of the Company as a group.

Five Percent Beneficial Ownership

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Standen and Co. as nominee for The Lorain National Bank 457 Broadway Lorain, Ohio 44052	299,121(1)	12.63%

(1) The Bank, a wholly owned subsidiary of LNB Bancorp, Inc. (a U. S. Corporation) disclaims beneficial ownership of all shares. The shares were held by the Bank in various accounts administered by it, as fiduciary, for the benefit of beneficiaries, donors, or principals of such accounts. The Bank, as fiduciary, had (a) sole power to vote 107,702 shares; (b) sole investment power to purchase/sell, but no power to vote on 66,039 shares; (c) shared investment power with respect to 65,389 shares; and (d) no investment power and no power to vote on 66,991 shares. Shares of the Company held by the Bank in various fiduciary capacities will be voted only in accordance with directions, approvals or instructions where called by the governing instruments or by law, and in the absence of special factors affecting any individual account, will be voted in accordance with management's recommendations where the Bank as fiduciary has authority to determine the manner of voting.

BENEFICIAL OWNERSHIP OF MANAGEMENT (As of December 31, 1991)

Name	Sole Investment & Voting Power	Shared Investment & Voting Power	Total Amount of Beneficial Ownership	Percent of Class
James L. Bardoner	4,926	130	5,056	.21%
Daniel P. Batista	12,212	26,346	38,558	1.63%
Wellsley O. Gray	4,623	2,618	7,241	.31%
James F. Kidd	24,252	-0-	24,252	1.03%
David M. Koethe	37,249	108	37,357	1.58%
Benjamin G. Norton	26,067	26,889	52,956	2.24%
Stanley G. Pipr	41,541	19,310	60,851	2.57%
James H. Riddell	13,885	1,365	15,250	64%
Thomas P. Ryan	19,246	737	19,983	84%
Don A. Sanborn	7,351	-0-	7,351	31%
Dan C. Smith	11,802	-0-	11,802	.50%
T. L. Smith, M.D.	12,618	1,841	14,459	61%
Eugene M. Sofranko	3,882	9,642	13,524	57%
Paul T. Stack	5,537	460	5,997	.25%
Leo Weingarten	62,484	2,482	64,966	2.75%
Executive Officers who are not Directors	32,713	22,684	55,397	2.34%
All Directors and Executive Officers as a Group	320,388	114,612	435,000	18.38%

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

Some of the directors of the Company and the companies with which they are associated, are customers of and had banking transactions with the Bank in the ordinary course of the Bank's business during 1991. Loans and commitments to loans included in such transactions were made on substantially the same terms, including interest rates and collateral, as were those prevailing at the time for comparable transactions with other persons, and in the opinion of the management of the Bank, do not involve more than a normal risk of collectibility or present other unfavorable features.

STOCK DIVIDEND

A stock dividend of approximately 71,067 shares of common stock (3%) is recommended by the Board of Directors. SUBJECT TO THE VOTE OF SHAREHOLDERS OWNING TWO-THIRDS OR MORE OF THE STOCK OF THE COMPANY, the stock dividend will be payable to shareholders of record April 21, 1992. This stock dividend is recommended as a distribution of earnings of the Company and to conserve the cash assets.

The stock dividend will consist of approximately 71,067 shares which will increase the total number of shares outstanding to approximately 2,439,938. As a result of the stock dividend a transfer of approximately $89,000 will be made from retained earnings increasing the common stock of the Company to approximately $3,050,000. An additional amount of approximately $1,706,000 will be transferred from retained earnings to surplus. The stock dividend will not change the common stock par value or the total equity capital of the Company.

The number of shares to be issued and the dollar amounts discussed above are based upon shares outstanding and stock bid prices as of March 9, 1992. The actual stock dividend will be calculated based upon shares outstanding and stock bid prices on the record date.

No fractional shares will be issued. The Company will sell full shares representing all the fractions to the highest bidder after having solicited sealed bids from at least three (3) licensed stockbrokers. The proceeds of the sale shall be distributed pro rata to shareholders who otherwise would be entitled to fractional shares.

COMMON STOCK PRICES

	Trading Ranges of Common Stock Bid Price			
	1991		1990	
	HIGH	LOW	HIGH	LOW
First Quarter	$24.50	$23.75	$22.50	$20.75
Second Quarter	24.50	24.50	23.75	22.50
Third Quarter	24.50	24.50	23.75	23.75
Fourth Quarter	25.25	24.50	23.75	23.75

Bid prices are taken from those published daily by a newspaper of general circulation in Lorain County, Ohio

PRINCIPAL ACCOUNTANTS

The independent accounting firm of KPMG Peat Marwick has served as the principal accountants for the Bank since 1972. A representative of the firm will be present at the Annual Meeting and will be available to respond to questions and issue a statement if so desired

SHAREHOLDER PROPOSALS FOR 1992 ANNUAL MEETING

Shareholders may submit proposals appropriate for shareholder action at the Company's Annual Meeting consistent with the regulations of the Securities and Exchange Commission. For proposals to be considered for inclusion in the Proxy Statement for the 1993 Annual Meeting they must be received by the Company no later than December 1, 1992. Such proposals should be directed to LNB Bancorp, Inc., Attention: Corporate Secretary, 457 Broadway, Lorain, Ohio 44052.

OTHER BUSINESS

Management is not aware of any other matter which may be presented for action at the meeting other than the matters set forth herein. Should any matter other than those set forth herein be presented for a vote of the shareholders, the proxy in the enclosed form directs the persons voting such proxy to vote in accordance with their judgment.

ANNUAL DISCLOSURE STATEMENT

Financial information regarding Lorain National Bank is available to our customers, shareholders and the General Public on request. In accordance with Federal regulation to facilitate more informed decision-making by depositors, and the general public, we will provide, upon request, an Annual Disclosure Statement containing financial information for the last two years. To obtain a copy of the Annual Disclosure Statement, please contact Gregory D. Friedman, Chief Financial Officer, Lorain National Bank, 457 Broadway, Lorain, Ohio 44052.

ANNUAL REPORT

The Annual Report is not intended to be a part of this Proxy Statement. A report of the operations of the Company for the calendar year 1991 will be presented at the meeting and a copy has been mailed to shareholders prior to the meeting. A copy of the Company's 1991 Annual Report on Form 10-K under the Securities Exchange Act of 1934 is available to shareholders without charge upon request to Thomas P. Ryan, First Senior Vice President and Corporate Secretary, LNB Bancorp, Inc., 457 Broadway, Lorain, Ohio 44052.

By Order of the Board of Directors

Thomas P. Ryan

Thomas P. Ryan
First Senior Vice President
& Corporate Secretary

MANUALLY EXECUTED

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Quarterly Report Under Section 13 or 15 (d)
of the Securities and Exchange Act of 1934

For the Quarter Ended February 29, 1992

Commission File Number 0-19001

MILLER DIVERSIFIED CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Nevada	84-1070932
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Mailing Address:
23360 Weld County Road 35
La Salle, Colorado 80645
(Address of Principal Executive Office)

(303) 284-5556
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO __

Number of shares of Common Stock, par value $.0001, outstanding on February 29, 1992, 4,154,799.

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PART I - FINANCIAL INFORMATION

MILLER DIVERSIFIED CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	February 29, 1992	August 31, 1991
ASSETS		
Current Assets:		
Cash	$ 888,331	$ 139,788
Certificate of deposit	200,000	200,000
Trade accounts receivable	640,634	640,482
Trade accounts receivable from affiliate	--	190,207
Income taxes receivable	4,921	--
Inventories	244,324	249,080
Feeder cattle	170,142	--
Prepaid expenses	47,401	27,053
Deposits on feeder cattle	29,450	48,750
Total Current Assets	2,225,203	1,495,360
Property, Plant and Equipment:		
Land	10,000	10,000
Buildings and improvements	80,000	80,000
Feedlot facilities under capital lease	2,135,522	2,135,522
Equipment	331,310	296,229
Equipment under capital lease	92,228	126,890
	2,649,060	2,648,641
Less: Accumulated depreciation and amortization	224,372	179,066
Total Property and Equipment	2,424,688	2,469,575
Other Assets:		
Deposits and other (net)	33,153	42,713
Total Other Assets	33,153	42,713
TOTAL ASSETS	$ 4,683,044	$ 4,007,648

Continued on next page.

MILLER DIVERSIFIED CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - Continued

	February 29, 1992	August 31, 1991
LIABILITIES		
Current Liabilities:		
Notes payable	$ 202,428	190,170
Accounts payable	492,910	515,604
Account payable to affiliate	43,179	22,399
Accrued expenses	14,832	11,197
Income taxes payable	--	46,994
Customer advance feed contracts	688,360	28,961
Current portion of long-term debt	4,234	7,079
Current portion of capital lease obligations	37,152	36,897
Total Current Liabilities	1,483,095	859,301
Long-Term Debt	25,666	28,766
Capital Lease Obligations	1,753,659	1,771,286
Deferred Income Taxes	4,604	653
Total Liabilities	3,267,024	2,660,006
COMMITMENTS and CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common Stock, par value $.0001 per share; authorized, 25,000,000 shares; issued 4,334,799 shares and outstanding 4,154,799 shares	433	433
Additional Paid-in Capital	915,232	915,232
Retained Earnings	612,855	544,477
	1,528,520	1,460,142
Less: Treasury stock, at cost	112,500	112,500
Total Stockholders' Equity	1,416,020	1,347,642
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,683,044	$ 4,007,648

See Accompanying Note to Unaudited Financial Statements.

MILLER DIVERSIFIED CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

Six Months Ended February 29, 1992 and February 28, 1991	1992	1991
Revenues:		
Feed and other sales	$ 4,806,250	$ 4,409,631
Feedlot services	897,699	1,104,081
Other	96,963	127,325
Total Revenues	5,800,912	5,641,037
Costs and Expenses:		
Cost of feed and other sales	4,409,644	4,101,683
Cost of feedlot services	638,455	875,032
Selling, general and administrative	543,705	532,888
Interest	113,261	59,334
Total Costs and Expenses	5,705,065	5,568,937
Earnings Before Income Taxes	95,847	72,100
Income Taxes	27,470	15,966
NET EARNINGS	$ 68,377	$ 56,134
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE	$ .01	$ .01
Weighted Average Number of Common and Common Equivalent Shares Outstanding	4,723,424	4,184,799

See Accompanying Note to Unaudited Financial Statements.

MILLER DIVERSIFIED CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

Three Months Ended February 29, 1992 and February 28, 1991	1992	1991
Revenues:		
Feed and other sales	$ 2,336,048	$ 2,347,004
Feedlot services	436,442	664,639
Other	57,092	89,683
Total Revenues	2,829,582	3,101,326
Costs and Expenses:		
Cost of feed and other sales	2,156,914	2,191,769
Cost of feedlot services	343,541	513,064
Selling, general and administrative	268,838	299,192
Interest	56,126	44,128
Total Costs and Expenses	2,825,419	3,048,153
Earnings Before Income Taxes	4,163	53,173
Income Taxes	(4,153)	12,176
NET EARNINGS	$ 8,316	$ 40,997
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE	$ nil	$ .01
Weighted Average Number of Common and Common Equivalent Shares Outstanding	4,756,595	4,184,799

See Accompanying Note to Unaudited Financial Statements.

MILLER DIVERSIFIED CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months Ended February 29, 1992 and February 28, 1991	1992	1991
Cash Flows from Operating Activities		
Cash received from customers	$ 6,530,730	$ 5,631,958
Cash paid to suppliers and employees	(5,483,805)	(5,172,191)
Interest received	5,862	43,686
Interest paid	(115,802)	(61,898)
Income taxes paid	(75,434)	(30,136)
Net Cash Provided by Operating Activities	861,551	411,419
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(35,081)	(27,073)
Receipts from sale of property and equipment	--	40,700
Receipts from sale of stock of loan servicing company	--	10,000
Receipt from escrow account	--	25,000
Acquisition of certificate of deposit	--	(200,000)
Collections on loans to affiliates	--	210,000
Net Cash Provided (Used) by Investing Activities	(35,081)	58,627
Cash Flows From Financing Activities:		
Proceeds from notes payable	1,833,000	2,721,000
Principal payments on notes payable	(1,820,742)	(2,784,570)
Principal payments on long-term obligations	(23,316)	(22,845)
Net increase in short-term cattle financing	(66,869)	(479,974)
Net Cash Provided (Used) by Financing Activities	(77,927)	(566,389)
Net Increase (Decrease) in Cash	748,543	(96,343)
Cash, Beginning of Period	139,788	300,986
Cash, End of Period	$ 888,331	$ 204,643

Continued on next page.

MILLER DIVERSIFIED CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months Ended February 29, 1992 and February 28, 1991	1992	1991
Reconciliation of Net Earnings to Net Cash Provided (Used) by Operating Activities		
Net earnings	$ 68,377	$ 56,134
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Gains (net) on sales of property and equipment	--	(25,126)
Depreciation and amortization	83,263	41,798
Deferred income taxes	3,951	--
Changes in assets and liabilities net of short-term feeder cattle financing:		
(Increase) decrease in:		
Trade accounts receivable and accrued income	(113,925)	(99,144)
Trade accounts receivable from affiliate	190,207	--
Inventories	4,756	133,678
Prepaid expense	(20,348)	(27,592)
Deposits and other	6,266	(34,733)
Notes receivable from affiliates	--	(6,217)
Increase (decrease) in:		
Trade accounts payable and accrued expenses	10,741	187,972
Account payable to affiliate	20,780	34,733
Income taxes payable	(51,915)	(12,400)
Customer advance feed contracts	659,398	161,031
Net Cash Provided (Used) by Operating Activities	$ 861,551	$ 411,419

Supplemental Schedule of Non-cash Investing and Financing Activities:		
Long term obligations incurred for the lease of certain feedlot facilities	$ --	2,135,522
Notes receivable from affiliate offset against capital lease obligations	--	401,028
A fully amortized item of equipment acquired under a capital lease, with an original cost of $34,662 was removed from the equipment under capital lease and accumulated amortization accounts; the item was purchased for $1,823 and is included in acquisition of property and equipment above for the six months ended February 29, 1992	--	--

See Accompaning Note to Unaudited Financial Statements.

MILLER DIVERSIFIED CORPORATION AND SUBSIDIARIES

NOTE TO UNAUDITED FINANCIAL STATEMENTS

The consolidated balance sheets as of February 29, 1992, and August 31, 1991, the consolidated statements of earnings for the six and three months ended February 29, 1992, and February 28, 1991, and consolidated statements of cash flows for the six months ended February 29, 1992, and February 28, 1991, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted as allowed by the rules and regulations of the Securities and Exchange Commission. In the preparation of the above described financial statements, all adjustments of a normal and recurring nature have been made. The Company believes that the accompanying unaudited financial statements contain all adjustments necessary to present fairly the results of operations and cash flows for the periods presented. Further, management believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the annual financial statements and the notes thereto. The results of operations for the six and three months ended February 29, 1992, are not necessarily indicative of the results to be expected for the year.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

A summary of the net earnings by quarter for the six months ended February 29, 1992, compared to the same quarters the previous year is as follows:

	Six Months Ended February 29, 1992	Six Months Ended February 28, 1991	Increase (Decrease)
First Quarter	$ 60,061	$ 15,137	$ 44,924
Second Quarter	8,338	40,997	(32,659)
Total	$ 68,399	$ 56,134	$ 12,265

A major factor that affects the Company's operating results is the average head numbers of cattle per day ("average head numbers") in the Company's feedlots because feed is sold and services are rendered to the owners. A summary of the average head numbers by quarter for the six months ended February 29, 1992, as compared to the same quarters the previous year is as follows:

	Six Months Ended February 29, 1992	Six Months Ended February 28, 1991	Increase (Decrease)
First Quarter	20,754	18,774	1,980
Second Quarter	19,190	21,623	(2,433)
Combined	19,866	20,087	(221)

The increase in average head numbers for the first quarter primarily reflects increased marketing efforts. The decrease for the second quarter results principally from investors' reluctance to put cattle on feed due to high feeder cattle prices that are not offset by correspondingly higher prices for finished cattle in the future as indicated by the commodities futures market. In addition, in the fall of 1991 the Company placed about 1,200 calves with local farmer-feeders for certain customers that were placed in the Company's feedlots in February, 1992. A similar program was undertaken the previous year for 3,400 head. Therefore, some of the decreased average head numbers in the second quarter as compared to the previous year were due to the reduced fall calf program.

Although average head numbers were somewhat less for the six months ended February 29, 1992, as compared to the same period the previous year, feed and other sales, gross profit and the gross profit percentage was greater. Sales increased because the general price level of feed ingredients was higher for the six months ended February 29, 1992, than for the previous year. The increase in the gross profit of $89,000 and gross profit percentage of 1.3% was mainly the result of selling proportionately more feed at regular mark up prices than at future contracted prices at a considerable lower markup. When customers future contract with the Company to purchase feed at set prices, the Company future contracts with its suppliers to purchase the feed at a break even or low mark up price.

Sales of feedlot services were about $206,000 less for the six months ended February 29, 1992, than for the same period the previous year somwhat as a result of the decrease in average head numbers, but is primarily the result of the decrease in the fall calf program. Sales for this program which are included in feedlot services, declined from $239,000 for the six months ended February 28, 1991, to $53,000 for the six months ended February 29, 1992, a decrease of $186,000. However, the gross profit increased $30,000 and the gross profit percentage increased 8.2% for the six months ended February 29, 1992, as compared to the same period the previous year. This improvement resulted partly from the execution of a long-term capital lease of the feedlot facilities in February 1991, (as explained below) whereby a major portion of lease payments previously recorded as rent expense (as part of the cost of feedlot services) is recorded as interest expense. The gross profit percentage increase is also the result of the decrease in the fall calf program which is undertaken at a virtual breakeven.

For the six months ended February 29, 1992, other revenues were about $43,000 less than for the comparable period a year earlier. The principal reason for this decrease is that for the six months ended February 28, 1991, there was a $25,000 gain from the sale of equipment for which there was no comparable amount for the six months ended February 29, 1992. In addition, interest income decreased about $17,000 because notes receivable were collected or offset to capital lease obligations.

In February, 1991, the Company executed a long-term lease with Miller Feed Lots, Inc. to lease its feedlot facilities over 25 years with an option to purchase the facilities for $2,500,000. The lease was accounted for as a capital lease. The lease requires minimum monthly payments of $17,000 which is the same as the Company had been paying to lease the facilities under a short-term operating lease. The expense of the capital lease is accounted for by amortizing the lease over 25 years and charging a portion of each lease payment to interest expense. A comparison of the expenses of leasing the feedlot facilities for the six months ended February 29, 1992, to the same period the prior year is as follows:

	Six Months Ended		
	February 29, 1992	February 28, 1991	Increase (Decrease)
Cost of Feedlot Services:			
Rent Expense	$ --	$ 85,000	$(85,000)
Amortization of Lease	42,708	7,118	35,590
Interest Expense	94,512	14,636	79,876
	$137,220	$106,754	$ 30,466

Interest expense was $54,000 more for the six months ended February 29, 1992, than for the same period the previous year primarily as a result of the interest paid on the capital lease of feedlot facilities as shown above.

Liquidity and Capital Resources

The feeder cattle inventory of about $170,000 at February 29, 1992, compared to $0 at August 31, 1991, is a matter of timing. Cattle are purchased from time to time for customers and remain in inventory until the particular set or "Lot" of cattle is complete, which is usually a matter of days, and then they are sold to a customer. The deposits on feeder cattle outstanding on August 31, 1991, of about $49,000 were applied to the purchase price of the cattle at the time of their delivery to the Company's feedlots.

Customer advance feed contracts ("prepaid feed") were $688,000 at February 29, 1992, an increase of $659,000 from the balance at August 31, 1991. This increase results from the prepayment of feed by certain customers to fix prices of certain feed ingredients. This increase in receipts of "prepaid feed" also largely accounts for the $748,000 increase in cash from August 31, 1991, to February 29, 1992.

The Company has a revolving line of credit of $200,000 from a local bank that matures August 1, 1992, and bears interest at 1.5% over the prime rate (actual rate of 8% at February 29, 1992). The outstanding balance at February 29, 1992, was $51,000. Therefore, the Company had available unused credit of $149,000 under its line of credit that could be used to generate cash if needed. The Company has another note payable to the same bank due August 1, 1992, that is being amortized with monthly payments of $5,752 including principal and interest at 2% over the prime rate (actual rate of 8.5% at February 29, 1992). The oustanding balance of the amortized note on February 29, 1992, was $121,428. Both of the foregoing notes are secured by feed accounts receivable, feed inventories and equipment and are guaranteed by two officer/directors. Miller Feeders, Inc. (MFI) has a $300,000 revolving line of credit with the same local bank for the procurement of feeder cattle for resale to customers. The line matures on January 7, 1993, and bears interest at 1.5% over the prime rate (actual rate of 8% at February 29, 1992). There was $30,000 outstanding under MFI's line of credit at February 29, 1992, which meant that MFI could borrow up to $270,000 to purchase feeder cattle for resale to customers. The line is secured by feeder cattle inventories and feeder cattle accounts receivables and is guaranteed by two officer/directors.

The Company had no material commitments for capital expenditures at February 29, 1992.

Management believes it has adequate financial resources to conduct operations at present and reasonably anticipated levels.

PART II - OTHER INFORMATION

Items 1 through 5 - None

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) Reports on Form 8-K

A Form 8-K was filed February 21, 1992, describing the proposed acquisition of Genetic Engineering, Inc. by Registrant

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MILLER DIVERSIFIED CORPORATION
(Registrant)

Date: April 10, 1992

Steven P. Gabel

Steven P. Gabel
President, Chief Executive Officer

Date: April 10, 1992

James E. Miller

James E. Miller
Secretary-Treasurer, Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

Quarterly Report Under Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Quarter ended:

January 31, 1992

Commission File number:

~~33-40804~~ 0-11585

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MODERN RECORDS, INC.

(Exact name of Registrant as specified in its charter)

California
(State of Incorporation)

95-3404374
(I.R.S Employer Identification No.)

9111 Sunset Boulevard
Los Angeles, California 90069
(Address of principal executive offices)

Telephone Number: (213) 273-8111

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Indicate by check mark whether the Registrant (1) has filed all repo filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to the filing requirements for at last the past 90 days.

Yes____ No__X__

Registrant has been subject to filing requirements since September 11, 1991.

As of March 30, 1992 12,115,950 shares of the Registrant's Common Stock were issued and outstanding.

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MODERN RECORDS, INC.

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Part I. Financial Information

- Statement of Operations and Accumulated Deficit
- Balance sheet
- Statement of Changes in Financial Position
- Notes to the Financial Statements
- Management's Discussion and Analysis of Results of Operations and Financial Condition

Part II. Other Information

Signature

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Part I

MODERN RECORDS, INC.
Statement of Operations and Accumulated Deficit
(Expressed in U.S. dollars)

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(Unaudited)

	Three Months Endec January 31 1992	 1991
Revenue		
Modern/Atlantic agreement (Note 5)	97,311	37,164
Royalty income	21	0
Gain on disposal of asset	3,700	0
	101,032	37,164
Expenses		
Accounting and legal	23,817	5,405
Automobile	3,390	692
Consulting fees	7,470	5,049
Depreciation	454	262
Insurance	4,509	1,781
Interest	202	5,545
Office	6,084	1,546
Production costs (Note 8)	49,699	12,238
Rent-equipment	858	845
Rent-premises	9,526	7,623
Repairs and maintenance	575	1,345
Salaries and employee benefits	95,858	28,168
Telephone	6,337	5,595
Travel and entertainment	14,190	7,744
Security registration costs	1,545	0
Investor relations	9,191	0
	233,705	83,838
Loss Before Income Taxes	-132,673	-46,674
Income Taxes (Note 2)	0	0
Net Loss	-132,673	-46,674
Accumulated Deficit At Beginning Of Period as restated (Note 7)	-726,084	-287,743
Accumulated Deficit At End Of Period	-858,757	334,417

MODERN RECORDS, INC.
Balance Sheets
(Expressed in U.S. dollars)
Unaudited

Assets	January 31 1992	October 31 1991
Current Assets		
Cash	-11,886	15,393
Accounts receivable-non-trade (Note 3)	55,319	55,319
Receivable from Atlantic Recording Corporation (Note 5,7)	295,291	163,958
Receivable from shareholder (Note 4)	79,224	51,603
Prepaid expenses	4,810	3,320
Total Current Assets	422,758	289,593
Furniture And Equipment (Note 2)	34,001	34,001
Less accumulated depreciation	26,593	26,139
	7,408	7,862
	430,166	297,455
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	281,512	178,668
Total Current Liabilities	281,512	178,668
Share subscriptions (Note 6)	162,540	0
Shareholders' Equity		
Captial stock (Note 6)		
Authorized: 20,000,000 common shares without par value		
Issued: 11,643,450 shares	844,871	844,871
Accumulated deficit (Note 7)	-858,757	-726,084
	-13,886	118,787
Commitments (Note 9)		
	430,166	297,455

MODERN RECORDS, INC.
Statement of Cash Flows
(Expressed in U.S. dollars)

(Unaudited)

	Three Months Ended January 31	
	1992	1991
Cash Flow From Operating Activities:		
Net Loss	-132,673	-46,674
Adjustments to reconcile net		
Cash Flow From Operating Activities		
Depreciation	454	262
Changes In Operating Assets And Liabilities		
Increase in accounts receivable	-131,333	-900
Increase in prepaid expenses	-1,490	-3,001
Decrease (increase) in receivable from shareholder	-27,621	8,378
(Decrease) increase in accounts payable and accrued liabilities	102,844	5,896
Increase in payable to shareholder	0	67,127
Increase in accrued interest payable	0	5,545
Increase (decrease) in deferred revenue	0	-27,115
Net Cash Provided By Operating Activities	-189,819	9,518
Cash Flow From Investing Activities		
Purchase of furniture and fixtures		
Cash used for deferred project costs	0	-2,300
Cash used for deferred business development	0	-1,554
	0	
Net Cash Used By Investing Activities	0	-3,854
Cash Flow From Financing Activities		
Proceeds from share subscriptions	162,540	
Increase (decrease) in Cash	-27.279	5,664
Cash At Beginning Of Period	15,393	4,014
Cash At End Of Period	-11,886	9,678

MODERN RECORDS, INC.
Notes to Financial Statements
(Expressed in U.S. dollars)
January 31, 1992

Note 1: General

The Company is incorporated under the laws of the State of California, U.S.A. and its principal business activities are the production and distribution of audio recordings.

Note 2: Summary of Significant Accounting Policies

a) Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is provided on a straight-line basis over five years.

b) Income Taxes

In accounting for income taxes, the Company follows the tax allocation method. Deferred income taxes are provided on timing differences which result primarily from using the cash basis of accounting when filing its income tax returns.

c) Foreign Currency Transactions

Monetary assets and liabilities of the Company in foreign currencies are recorded at the year end rate of exchange. Income statement items are recorded at average exchange rates.

d) Deferred Revenue

The Company records all advances against participation received from Atlantic Recording Corporation as deferred revenue until earned. The deferred revenue is earned as revenues are received under the Modern/Atlantic Agreement.

Note 3: Related Party Transaction

Included in accounts receivable is an amount of $53,237 ($63,237 in 1990) owing from a company 25% owned by the President of Modern Records, Inc. Accounts receivable are expressed net of allowance for doubtful accounts of $8,884 ($6,260 in 1990).

Note 4: Receivable From Shareholder

The receivable from shareholder is non-interest-bearing and has no fixed terms of repayment.

MODERN RECORDS, INC.
Notes to Financial Statements
(Expressed in U.S. dollars)
January 31, 1992

Note 5: Modern/Atlantic Agreement

On July 1, 1979, the Company negotiated an arrangement with Atlantic Recording Corporation ("Atlantic"). This original agreement has been subject to several amendments and addenda. The agreement applies specifically to the Company's exclusive recording agreement with Ms. Stephanie Nicks and also provides Atlantic with a first right of refusal regarding any distribution agreement for other artists signed to exclusive recording agreements by the Company.

Under the agreement, Atlantic is responsible for all of the administration associated with the production, manufacture, distribution, financing and record keeping associated with the production and release of the recordings undertaken by the parties. The Company provides input regarding managerial decisions, strategy regarding recording material, timing of releases, and promotion. The Company also acts as liaison between Atlantic and the artists.

The Company is to share in the net profits (after Atlantic has recouped its expenses described above) realized from the release of recordings by Ms. Nicks in proportions ranging from 30% to 50%. In the case of all other artists signed with Atlantic, the Company's share of net profits or losses is 50%.

Under the present agreement with Ms. Nicks, the Company is to deliver to Atlantic a minimum of two additional studio albums. The agreement with respect to Ms. Nicks terminates after the albums which have been committed are delivered and a "sell-off" period has expired.

Rights to and ownership of all master recordings have been pledged during the period of the agreement. Rights to and ownership of all master recordings revert to the Company on the expiration of the terms of the agreement.

Note 6: Subsequent Events

Subsequent to the end of the quarter, the Company completed a private placement resulting in a total of 472,500 units being issued for a total cash consideration of approximately $162,540 ($189,900 Cdn.). Each unit includes one warrant year to purchase an additional share at a price of $.40 Cdn. in the first year and $.50 Cdn. in the second year.

Note 7: Change In Reserve For Returns

After the year end financial statements were completed Atlantic Records decided to increase the reserve for return percentage for the Stevie Nicks "Timespace" record. This was a retroactive change which decreased the revenue and receivable due from Atlantic to Modern at October 31, 1991. It also increased the accumulated deficit at October 31, 1991. The amount of the change was approximately $78,479. Should the actual returns be less that the reserve amount Modern will incur revenue at that time.

MODERN RECORDS, INC.
Notes to Financial Statements
(Expressed in U.S. dollars)
January 31, 1992

Note 8: Production Costs

Pursuant to Financial Accounting Standards Board 50, production costs for "non-established artists" must be expensed, not capitalized. These production costs relate to Vaughan Penn and Moment of Silence. When these projects are completed these costs will be reimbursed by the distributor and at that time these amounts will be shown as revenue.

Note 9: Commitments

At year end, the Company has commitments under capital leases for premises and certain office equipment as follows:

1992	-	$21,868
1993	-	8,052
1994	-	1,428
1995	-	476

Management's Discussion and Analysis of Results of Operations and Financial Condition

Three Months Ended January 31, 1992

Revenue for the first quarter of fiscal 1992 was $101,032 coming almost entirely from the Atlantic agreement. This represents an increase over last year of $60,147 due to the fact that Modern had the Stevie Nicks "Timespace" album for sale in the first quarter while no albums were for sale during the 1st quarter of 1991. Modern had sold a company car during the period and netted a $3,700 profit.

Accounting and legal expenses increased by $18,412 due to increased activity during the quarter relating to the annual audit and a private placement.

During the first quarter of fiscal 1992 Modern was working on four projects (Rick Vito, Vaughan Penn, Moment of Silence and Boy On A Dolphin). This increased activity translated into higher expenses for the quarter. The following accounts have all increased form the comparable 1991 period as a result of the heavy load of projects: Auto by $2,698, Consulting by $2,421, Insurance by $2,728, Office by $4,538, Telephone by $742 and Travel and Entertainment by $6,446. Interest expenses decreased by $5,343 due to the Atlantic loan being paid back prior to the first quarter of 1992. Production costs increased by $37,461 due to the four projects mentioned above. These costs will be reimbursed by the distributor and at that time will be taken into income. Rent-premises increased by $1,903 due to the opening of new offices in Vancouver. Salaries and employee benefits increased by $67,690 due to the increase in the number of Modern employees. Security registration costs and Investor relations increased by $1,545 and $9,191 respectively due to the company is now publicly traded.

Liquidity and Capital Resources

The Company relies upon the revenues generated by new album releases for virtually all of its revenue. The Company earned $456,786 through December 20, 1991 from the Stevie Nicks "Timespace" album. This revenue was netted against a negative capital account of $161,495 which gave cash owing to Modern of $295,291. The negative capital account related to projects dating back to 1985 that were cross-collaterlized with Stevie Nicks. These are the last projects that were cross-collaterlized.

At the present time cash reserves are at very low levels. The Company will most likely require some additional financing until the proceeds from Modern's record sales come in. However, there can be no assurances that these new artists will have commercially successful albums.

Part II

MODERN RECORDS, INC.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Defaults Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders - None

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K

a.) None

b.) Registrant did not file any reports on Form 8-K

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Modern Records, Inc.

Date: March 30, 1992

by:

Paul E. Fishkin
President
(On behalf of the Registrant and as its
Principal Financial Officer)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992 Commission File Number 0-9482

SCORE EXPLORATION CORPORATION
(Exact name of registrant as specified in its charter)

WYOMING	83-0246080
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

300 COUNTRY CLUB ROAD, SUITE 202, CASPER, WYOMING 82601
(address of principal executive offices and zip code)

Registrant's telephone number, including area code (307) 265-0382

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 31, 1992
Common stock, par value $.01 per share	35,398,125

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SCORE EXPLORATION CORPORATION

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PART I. FINANCIAL INFORMATION

SCORE EXPLORATION CORPORATION

Balance Sheets

	March 31, 1992 (unaudited)	June 30, 1991 (unaudited)
ASSETS		
CURRENT ASSETS:		
Cash	$ 4,117	$ 1,459
Accounts receivable	-	9,365
Total current assets	4,117	10,824
PROPERTY AND EQUIPMENT, at cost using successful efforts method		
Oil and gas properties:		
Proved properties,net of valuation allowance of $428,000	195,785	488,554
Unproved properties	2,619	2,619
Office equipment and vehicles	4,398	4,398
	202,802	495,571
Less accumulated depreciation and depletion	163,359	455,317
	39,443	40,254
	$ 43,560	$ 51,078
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 7,923	$ 51,090
12% loan from stockholder	-	9,000
Total current liabilities	7,923	60,090
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value; authorized 75,000,000 shares, issued and outstanding 35,398,125 shares	353,981	353,981
Additional paid-in capital	1,516,427	1,516,427
Accumulated (deficit)	(1,834,771)	(1,879,420)
	35,637	(9,012)
	$ 43,560	$ 51,078

See notes to financial statements.

SCORE EXPLORATION CORPORATION

Statements of Operations
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1992	1991	1992	1991
Operating revenue:				
Oil and gas sales	$ 2,094	$ 14,235	$ 24,057	$ 49,423
Property operations fees	788	1,414	2,363	3,198
Gain on sale of leases and equipment	26,463	-	45,463	-
	29,345	15,649	71,883	52,621
Operating expenses:				
Lease operating costs	3,688	12,720	14,313	55,852
Depreciation and depletion	(7,389)	2,900	811	8,700
Production and windfall profits taxes	(2,706)	639	2,777	4,051
General and administrative expenses	4,861	5,999	15,381	22,372
	(1,546)	22,258	33,282	90,975
Operating (loss)	30,891	(6,609)	38,601	(38,354)
Nonoperating income (expense):				
Interest expense	-	-	(243)	(480)
Forgiveness of debt	6,291	-	6,291	-
	6,291	-	6,048	(480)
Net (loss)	$ 37,182	$(6,609)	$ 44,649	$(38,834)
Net (loss) per common share (Note 2)	$ -	$ -	$ -	$ -

See notes to financial statements.

SCORE EXPLORATION CORPORATION

Statements of Cash Flows

	Nine Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Cash received from customers	$ 35,785	$ 60,952
Cash paid to suppliers and employees	(69,347)	(50,780)
Interest expense	(243)	(480)
	(33,805)	9,692
Cash flows from financing activities:		
Payment of loan from stockholder	(9,000)	(6,000)
Cash flows from investing activities:		
Proceeds from sale of property and equipment	45,463	-
Net increase (decrease) in cash and cash equivalents	2,658	3,692
Cash and cash equivalents at beginning of period	1,459	184
Cash and cash equivalents at end of period	$ 4,117	$ 3,876
Reconciliation of net income to net cash provided by (used in) operating activities:		
Net income (loss)	$ 44,649	$(38,834)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, depletion and impairments	811	8,700
Gain on sale of leases and equipment	(45,463)	-
Forgiveness of debt	(6,291)	8,331
Decrease (increase) in accounts receivable	9,365	-
Decrease (increase) in accounts payable and accrued expenses	(36,876)	31,495
	$(33,805)	$ 9,692

Supplemental schedule of non-cash investing and financing activities:

None

See notes to financial statements.

SCORE EXPLORATION CORPORATION

Notes to Financial Statements
(Unaudited)

Note 1. Inclusion of Information

In the opinion of management, the accompanying financial statements contain all adjustments necessary to present fairly Score Exploration's financial position as of March 31, 1992 and June 30, 1991 and the results of its operations for the three months ended March 31, 1992 and 1991 and change in cash flows for the nine months then ended.

The results of operations for the nine month and three month period ended March 31, 1992 and 1991 are not necessarily indicative of the results to be expected for the full year.

The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in the 1991 Score Exploration Corporation Annual Report.

Note 2. Earnings Per Share

Earnings per share have been calculated on the weighted average number of common shares and common share equivalents outstanding of 35,398,125 shares for the nine months and three months ended March 31, 1992 and 1991. Outstanding warrants for the Company's common stock were not considered in the computation of earnings per share since they are anti-dilutive.

Note 3. Property and equipment

During the quarter ended September 30, 1991, the Company sold surface equipment on the Dunn #3 well for $19,000. The equipment was fully depreciated. During the quarter ended March 31, 1992 the Company sold all of the Dunn leases and equipment for $26,038 and furniture for $425. All sold assets were fully depleted or depreciated.

Note 4. Going Concern

Due to sale of three of the Company's significant wells, management anticipates that revenues will not be sufficient to cover operating expenses and general and administrative expenses. Because of this, the Company may not be able to continue operations. Management intends to either liquidate all assets to liquidate as many of the liabilities as possible or attempt to attract an investor that will bring productive properties in to the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(a) Liquidity and Capital Resources. The Company had $4,117 in cash and cash equivalents at March 31, 1992. The Company's cash and cash equivalents increased by $2,658 to $4,117 at March 31, 1992 from $1,459 at June 30, 1991. This increase is due primarily to proceeds from the sale of leases and equipment of $45,463 which was used to pay off a loan from a stockholder of $9,000 and reduce accounts payable.

The industry has experienced decreased exploration activity over a period of time. With the current price of oil, the Company's drilling plans are indefinite. Due to three of the Company's wells being sold, it is not likely that revenues will be sufficient to cover operating expenses. Also the Company's liquidity and existing capital resources are not sufficient for the immediate future. The Company may have to liquidate all assets to pay as much of the liabilities as possible.

(b) Results of Operations. Oil and gas sales and property operations fees for the quarter and nine months ended March 31, 1992 decreased $12,767 and $26,201, respectively, over the same periods last year due to two wells becoming unproductive near the end of the last fiscal year and another well being sold during the current quarter. Total revenues for the nine months ended March 31, 1992 increased over the same period due to the sale of the Dunn lease, wells and equipment for a gain of $45,038.

Lease operating costs decreased $9,032 and $41,539, respectively, over the same quarter and nine months last year primarily due to workover costs on the Dunn #1 well in the quarter ended December 31, 1990.

Depreciation and depletion and production taxes show credit balances in the current quarter due to overaccural of amounts in the two prior quarters.

General and administrative decreased $1,138 and $6,991, respectively, over the same quarter and nine months last year. This decrease was mainly due to a reduction in salaries paid.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(b) Report on Form 8-K -- There were no reports on Form 8-K filed for the nine months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SCORE EXPLORATION CORPORATION
(Registrant)

Date: 5-12-92

Edward David, President and
Chief Financial Officer

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Q-29772

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Q
92-2269

FORM 10-Q

(Mark one)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended ....March 31, 1992.....................................

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ....to.................................

Commission file number 0-8641

SELECTIVE INSURANCE GROUP, INC.
(Exact name of registrant as specified in its charter)

New Jersey
(State of Incorporation)

22-2168890
(I.R.S. Employer Identification No.)

Wantage Avenue, Branchville, New Jersey
(Address of principal executive offices)

07890
(Zip Code)

201-948-3000
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of April 30, 1992.

Common stock par value $2 per share: 13,313,735

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PART I

Item 1. Financial Statements

The Consolidated Statements of Income and Consolidated Balance Sheets required under this item are incorporated by reference to that portion of the Registrant's 1992 First Quarter Report to Stockholders entitled "Consolidated Statements of Income" and "Consolidated Balance Sheets". The Consolidated Statements of Cash Flows required under this item are contained on page 3 of this Report.

SELECTIVE INSURANCE GROUP, INC.
Consolidated Statements of Cash Flows
Quarter Ended March 31

(in thousands) (unaudited)

	1992	1991
Operating Activities		
Net Income	$33,628	922
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect on prior years of changes in accounting principles, net of tax effect	(26,468)	-
Increases in reserves for losses and loss expenses	7,721	20,249
Increase in unearned premiums	10,081	11,316
Increase (decrease) in Federal income taxes	44	(1,386)
Depreciation and amortization	1,314	1,147
Increase in premiums and other receivables	(9,593)	(11,358)
Increase in deferred policy acquisition costs	(2,400)	(3,000)
Decrease in interest and dividends due or accrued	57	619
Increase in funds held under reinsurance treaties	3,507	4,747
Decrease in deferred service fee income	(495)	(760)
Net realized gains on investments	(8)	(393)
Increase in premium and payroll taxes payable	3,122	1,028
Other - net	(5,988)	(7,995)
Net adjustments	(19,106)	14,214
Net cash provided by operating activities	14,522	15,136
Investing Activities		
Purchase of fixed maturities	(18,053)	(37,475)
Purchase of other investments	(2,293)	(60)
Sale of fixed maturities	-	2,376
Maturities of fixed maturities	3,013	22,251
Sale of equity securities	5	2,599
Proceeds from other investments	206	95
Net additions to real estate, furniture and equipment	(1,069)	(2,138)
Net cash used in investing activities	(18,191)	(12,352)
Financing Activities		
Principal payments on notes payable	-	(125)
Dividends to stockholders	(3,454)	(3,417)
Acquisition of treasury stock	(181)	-
Increase in amount due banks	6,348	8,850
Net proceeds from dividend reinvestment plan	271	268
Net proceeds from employee and agent stock plans	241	145
Net cash provided by financing activities	3,225	5,721
Net increase (decrease) in cash equivalents	(444)	8,505
Cash equivalents at beginning of year	19,595	34,522
Cash equivalents at end of period	$19,151	43,027
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	633	650
Federal income tax	1,173	830
Supplemental schedule of non-cash financing activity:		
Conversion of convertible subordinated debentures	222	47

'Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion relates to the Company's results of operations, financial condition and cash flow for the interim periods indicated. In the opinion of management, all adjustments necessary for a fair presentation of the results of operations for the interim periods indicated have been made.

Results of Operations

Net premiums written and earned increased for the first quarter of 1992 over the same period one year ago by 6% and 8%, respectively. Most of the growth occurred in personal lines, where net premiums written were up 13% compared with a 2% increase in commercial lines.

The rise in personal lines premiums written occurred in New Jersey automobile, which increased approximately $6.3 million over the first quarter of 1991. This growth reflects: (1) additional premiums of $2.3 million generated from an increase in the number of policies written; and (2) additional premiums of approximately $4.0 million due to higher rates. The increase in the number of New Jersey automobile policies was primarily due to new policies issued by the Company to meet regulatory requirements.

The modest growth in commercial lines reflects the current economic conditions reducing premium levels in most lines of insurance. However, workers' compensation net premium written increased by $4.1 million, or 15%, essentially due to rate increases and lower reinsurance costs.

Net investment income earned increased by 9% to $18 million for the three months ended March 31, 1992, essentially due to the investment of additional cash generated by operating activities during the last twelve months. Another factor increasing investment income was the shift in the mix of fixed maturity investments from tax-exempt to taxable, where higher pre-tax yields were available.

The ratio of losses and loss expenses incurred to net premiums earned was 67.5% for the quarter ended March 31, 1992, down from the 75.4% for the same period one year ago. The improvement in the ratio reflects better claim experience in personal automobile and commercial property. In addition, included in losses incurred for the first quarter of 1991 was a $6 million increase in loss reserves from involuntary business assigned to the Company by the National Workers' Compensation Reinsurance Pool (the "Pool").

Policy acquisition costs rose during the first quarter of 1992 over the same period one year ago by $5.1 million. The increase, in part, reflects the $2.0 million estimated assessment from the Market Transition Facility of New Jersey (the "MTF") for the first quarter of 1992. This amount represents the Company's estimate of its apportioned share of the loss from the MTF (the New Jersey involuntary personal automobile market). Another factor increasing the policy acquisition costs is the expenses (approximately $2 million) related to premium growth. These costs include commissions, premium taxes and assessments.

During the first quarter of 1992, the Company adopted Financial Accounting Standard No. 109, Accounting for Income Taxes (FASB 109) as a cumulative effect adjustment. This adjustment amounted to $20.3 million. Under FASB 109, the Company must use a balance sheet approach in accounting for deferred tax liabilities and assets in place of the income statement method. One of the most significant components of the FASB 109 adjustment was the elimination of the alternative minimum tax (AMT), which accounted for $13.3 million of the total adjustment. Another significant factor was the immediate recognition of the loss reserve and anticipated salvage and subrogation fresh start benefits ($5.7 million). Consequently, the total Federal income tax expense of $1.2 million recorded for the first quarter of 1992 does not include any provision for either additional AMT or fresh start benefits. This contrasts with 1991 when the Company was in an AMT position at a 20% rate for financial statement purposes. The additional financial statement tax expense generated from AMT during the first quarter of 1991 amounted to $2.1 million.

In addition to the FASB 109 amount, the cumulative effect adjustment includes an accounting change adopted by the Company in the method of deferring policy acquisition costs. The new method anticipates investment income in determining recoverability of its deferred policy acquisition costs and is preferable because the Company considers anticipated investment income in determining the price of its insurance policies. This change increased the cumulative effect adjustment by $6.1 million after reduction for income taxes of $3.1 million.

The Company's net income for the quarter ended March 31, 1992 was $33.6 million, compared with $.9 million in 1991. The significant increase reflects: (1) the cumulative effect adjustment of $26.5 million; (2) the $6.9 million improvement in the underwriting results; and (3) the higher net investment income of $1.5 million. The loss from underwriting operations (before Federal income taxes) was $8.5 million in 1992 compared with $15.4 million in 1991. The 1991 underwriting results reflect the previously mentioned $6 million increase in Pool loss reserves.

Financial Condition, Liquidity and Capital Resources

Total assets climbed $56.3 million, or 5%, from December 31, 1991. This growth was essentially due to: (1) increases in deferred Federal income taxes of $19.9 million and deferred policy acquisition costs of $11.7 million (mainly due to the accounting changes described above); (2) cash provided by operating activities of $14.5 million; and (3) the higher net premiums written reflected in premiums receivable.

The rise in total liabilities of $27.9 million from December 31, 1991 is mainly composed of: (1) increases in reserves for losses and loss expenses of $7.7 million; (2) growth in the unearned premiums of $10.1 million; and

(3) increase in funds held under reinsurance contracts of $3.5 million. The higher unearned premiums is a reflection of the growth in net premiums written but not yet earned.

Cash provided by operating activities for the quarter was $14.5 million in 1992 versus $15.1 million in 1991.

Part II OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of the Stockholders was held on May 1, 1992. At this meeting, a proposal to adopt the Selective Insurance Stock Option Plan II (the "Plan") was approved by the stockholders. The Plan provides for the granting of stock options, which may or may not have stock appreciation rights (SAR's) attached, to executives and key employees of the Company. Under the Plan, 600,000 shares of the Company's common stock will be reserved for issuance upon the exercise of options granted. There were 9,608,700 affirmative votes and 1,648,973 negative votes cast with respect to the adoption of the Plan.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit Number	
11	Statement Re Computation of Per Share Earnings
18	Letter Re Change in Accounting Principles
20	Selective Insurance Group, Inc. 1992 First Quarter Report to Stockholders (with the exception of the information incorporated by reference into Part I of this report, such First Quarter Report is furnished for the information of the Securities and Exchange Commission and is not deemed "filed" as part of this Form 10-Q Report).

(b) There were two reports filed on Form 8-K and one report filed on Form 8 during the quarter for which this report is filed. The first Form 8-K was filed on February 17, 1992, with respect to the proposed acquisition of Niagara Exchange Corporation ("Niagara") through a cash merger. A Form 8 was filed on February 28, 1992, to correct the wording in the second paragraph of Item 5 on page 2 of 15 in the Form 8-K filed on February 17, 1992. The second Form 8-K was filed on March 30, 1992 stating that the Registrant and Niagara executed and delivered to each other an Agreement and Plan of Merger.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SELECTIVE INSURANCE GROUP, INC.
Registrant

Date May 12, 1992

Frederick H. Jarvis
Frederick H. Jarvis
Chairman of the Board
and Chief Executive Officer

Date May 12, 1992

Dominic J. Addesso
Dominic J. Addesso,
Executive Vice President and
Chief Financial Officer

1st
quarter report
1992

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CHAIRMAN'S MESSAGE

To Our Stockholders:

The results for the first quarter of 1992 have been marked by an improvement in the underwriting results, particularly in the commercial lines segment. However, personal automobile and homeowners continue to be problems. The automobile business, especially in New Jersey, is a major difficulty. The homeowners line produced a sharply worsened record, which can be attributed to several significant liability claims.

In commercial lines, workers' compensation, although somewhat improved, reflects the general deterioration of this previously profitable class. On a national scale, this system, designed to compensate injured workers without determining fault, is being eroded by the increasing resort to courts for the adjudication of awards. We continue to pursue the rates necessary to reflect the costs inherent in what is now approaching a "fault system."

Generally, premium volume increased by almost 6% and the underwriting loss was $8.5 million, down from $15.4 million a year earlier. However, we must remember that the loss for the first quarter of 1991 included a $6 million assessment from the National Workers' Compensation Reinsurance Pool, which was our share of a huge $1.4 billion reserve increase for the involuntary workers' compensation pool—the assigned risk plan.

Overall, we are off to a fairly good start. Investment income was up 9% to $18 million and the combined ratio was 105.6%, down from 112.2% in 1991.

At the regular meeting of the Board of Directors held on May 1, 1992, the Board declared a quarterly dividend of $.28. This is a $.02, or 8%, increase and is payable on June 1, 1992, to stockholders of record on May 15, 1992.

Frederick H. Jarvis
Chairman and
Chief Executive Officer

CONSOLIDATED STATEMENTS OF INCOME

10

(in thousands, except per share data)

	Quarter ended March 31 1992	1991
Revenues:		
Net premiums written	$136,125	128,533
Increase in unearned premiums	(10,081)	(11,316)
Net premiums earned	126,044	117,217
Net investment income earned	18,032	16,528
Net realized gains on investments	8	393
Other income	513	526
Total revenues	144,597	134,664
Expenses:		
Losses incurred [1]	70,929	73,303
Loss expenses incurred	14,099	15,047
Policy acquisition costs	47,567	42,474
Dividends to policyholders	1,868	1,813
Interest expense	312	329
Other expenses	1,446	1,332
Total expenses	136,221	134,298
Income before Federal income tax and cumulative effect of changes in accounting principles	8,376	366
Federal income tax expense (benefit)	1,216	(556)
Income before cumulative effect of changes in accounting principles	7,160	922
Cumulative effect on prior years of changes in accounting principles, net of tax effect [2,3]	26,468	—
Net income	$ 33,628	922
Earnings per share:		
Primary:		
Income before cumulative effect of changes in accounting principles	$ .54	.07
Cumulative effect on prior years of changes in accounting principles, net of tax effect [2,3]	1.99	—
Net income	$ 2.53	.07
Fully diluted:		
Income before cumulative effect of changes in accounting principles	$ .52	.07
Cumulative effect on prior years of changes in accounting principles, net of tax effect [2,3]	1.85	—
Net income	$ 2.37	.07
Dividends to stockholders	.26	.26
Pro forma amounts assuming the new method of deferring policy acquisition costs is applied retroactively [4]:		
Net income	$ 7,160	2,122
Net income per share:		
Primary earnings	$ .54	.16
Fully diluted earnings	.52	.16

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[1] Losses incurred for the quarter ended March 31, 1991 include a $6.0 million involuntary loss from business assigned to the Company by the National Workers' Compensation Reinsurance Pool. This item, net of tax effect, reduced net income by $4.8 million.

[2] Financial Accounting Standard No. 109, Accounting for Income Taxes (FASB 109) was adopted during the first quarter of 1992 as a cumulative effect adjustment. This change increased the cumulative effect adjustment and net income by $20,330,000 ($1.53 per share primary and $1.42 per share fully diluted). Under FASB 109, the Company must use a balance sheet approach in accounting for deferred tax liabilities and assets in place of the income statement approach presently required.

[3] In the first quarter of 1992, the method of deferring policy acquisition costs has been changed to anticipate investment income in determining recoverability of its deferred policy acquisition costs. The newly adopted accounting principle is preferable because the Company considers anticipated investment income in determining the price of its insurance policies. This change affected the following line items: a. income before cumulative effect of changes in accounting principles increased by $726,000 ($.06 per share primary and $.05 per share fully diluted); b. the cumulative effect on prior years of changes in accounting principles, net of tax effect, increased by $6,138,000 ($.46 per share primary and $.43 per share fully diluted), after reduction for income taxes of $3,162,000; and c. net income increased by $6,864,000 ($.52 per share primary and $.48 per share fully diluted).

[4] The pro forma amounts reflect the effect of retroactive application on the deferred policy acquisition costs, net of related income taxes, as if the new method had been effective January 1, 1991.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	March 31 1992	December 31 1991
ASSETS		
Investments:		
Fixed maturities—at amortized cost:		
U.S. Government and Agencies	$ 290,148	285,549
State and Municipal	305,285	301,319
Corporate	195,136	189,605
Mortgage-backed securities	73,518	73,463
Total fixed maturities [1]	864,087	849,936
Equity securities—at market [2]	66,745	70,213
Short-term investments	19,151	19,595
Other investments	10,614	8,372
Total investments	960,597	948,116
Interest and dividends due or accrued	18,390	18,447
Premiums and other receivables	118,780	109,187
Reinsurance recoverable on paid losses and expenses	3,603	3,942
Deferred Federal income tax	29,267	9,400
Real estate, furniture and equipment	48,747	48,509
Deferred policy acquisition costs	64,700	53,000
Excess of cost over fair value of net assets acquired	2,399	2,425
Other assets	20,418	17,580
Total assets	$1,266,901	1,210,606

	March 31 1992	December 31 1991
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Reserve for losses	$ 523,439	516,430
Reserve for loss expenses	109,993	109,281
Unearned premiums	232,009	221,928
Convertible subordinated debentures	14,248	14,470
Reserve for dividends to policyholders	6,367	6,301
Current Federal income tax	2,896	1,773
Premium and payroll taxes payable	19,310	16,188
Funds held under reinsurance treaties	17,375	13,868
Other liabilities	42,825	40,369
Total liabilities	968,462	940,608
STOCKHOLDERS' EQUITY:		
Common stock of $2 par value per share:		
Authorized shares— 90,000,000 Issued: 16,511,014—1992; 16,461,839—1991	33,022	32,924
Additional paid-in capital	25,632	24,996
Net unrealized gains on equity securities, net of deferred income tax effect	13,801	16,087
Retained earnings	271,087	240,913
Treasury stock—at cost (shares: 3,197,279—1992; 3,187,885—1991)	(45,103)	(44,922)
Total stockholders' equity	298,439	269,998
Total liabilities and stockholders' equity	$1,266,901	1,210,606

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[1] The market value of fixed maturities was $899,381 and $906,901 at March 31, 1992 and December 31, 1991, respectively.

[2] The cost of equity securities was $45,835 and $45,845 at March 31, 1992 and December 31, 1991, respectively.

UNDERWRITING RESULTS

(dollars in thousands)

The following data presents the underwriting income and expense on a statutory basis before Federal income tax, adjusted to GAAP, and other statutory information.

	Quarter ended March 31 1992	Quarter ended March 31 1991
ANALYSIS OF OPERATIONS		
Net premiums written	$136,025	128,533
Net premiums earned	$125,944	117,217
Losses and loss expenses	85,028	88,351
Underwriting expenses (including installment fees and premium balance charge-offs)	49,734	45,365
Dividends to policyholders	1,868	1,813
	136,630	135,529
Statutory underwriting gain (loss)	(10,686)	(18,312)
Adjustments under GAAP:		
Deferred policy acquisition costs	2,400	3,000
Other, net	(206)	(47)
GAAP underwriting loss	$ (8,492)	(15,359)
STATUTORY OPERATING RATIOS		
Losses and loss expenses to net premiums earned	67.5%	75.4
Underwriting expenses to net premiums written	36.6%	35.3
Combined ratio after dividends to policyholders	105.6%	112.2
PERSONAL LINES		
Automobile:		
Net premiums written	$ 36,721	31,377
Combined ratio	114.2%	119.2
Homeowners:		
Net premiums written	$ 8,100	8,197
Combined ratio	127.9%	116.9
Other:		
Net premiums written	$ 1,649	1,380
Combined ratio	90.0%	98.5
COMMERCIAL LINES		
Automobile:		
Net premiums written	$ 29,565	31,708
Combined ratio	97.7%	102.9
Workers' Compensation:		
Net premiums written	$ 31,680	27,643
Combined ratio after dividends to policyholders	119.3%	137.2
Liability:		
Net premiums written	$ 17,298	18,026
Combined ratio	78.4%	85.3
Property:		
Net premiums written	$ 7,516	6,896
Combined ratio	102.2%	135.4
Other:		
Net premiums written	$ 3,496	3,306
Combined ratio	78.5%	78.7

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except per share amounts)

	Quarter ended March 31	
	1992	1991
Stockholders' equity, January 1 (per share: $20.34—1992; $18.91—1991)	$269,998	248,274
Net income	33,628	922
Increase (decrease) in net unrealized gains on equity securities, net of deferred income tax effect	(2,286)	4,876
Cash dividends to stockholders	(3,454)	(3,417
Net proceeds from sales of common stock under dividend reinvestment plan	271	268
Net proceeds from sales of common stock under employee and agent stock purchase plans	241	145
Conversion of convertible subordinated debentures	222	47
Acquisition of treasury stock	(181)	—
Stockholders' equity, March 31 (per share: $22.42—1992; $19.08—1991)	$298,439	251,115

CORPORATE INFORMATION

Executive Office
40 Wantage Avenue
Branchville, New Jersey 07890-0001
Telephone (201) 948-3000

Stock Listing
The common stock of Selective Insurance Group, Inc. is traded on the NASDAQ National Market System under the symbol SIGI.

Investor Relations
Charles L. Tice
Senior Vice President and Treasurer
40 Wantage Avenue
Branchville, New Jersey 07890-0001
(201) 948-1311

Registrar and Transfer Agent
First Chicago Trust Company
of New York
30 West Broadway
New York, New York 10007-2192

Dividend Reinvestment Plan
Selective Insurance Group, Inc. makes available to holders of its common stock an automatic dividend reinvestment service. For information write to:

First Chicago Trust Company
of New York
30 West Broadway
New York, New York 10007-2192

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter ended:	March 31, 1992
Commission File Number:	1-1819-2

SOUTH STANDARD MINING COMPANY
(Exact name of registrant as specified in its charter)

UTAH	87-0267357
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1111 Walker Center, Salt Lake City, Utah 84111
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (801) 322-5841

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ______

As of March 31, 1992, there were 1,244,125 shares of common capital stock outstanding.

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

SOUTH STANDARD MINING COMPANY

BALANCE SHEET

As of March 31, 1991, December 31, 1991 and
March 31, 1992

ASSETS:	3/31/91	12/31/91	3/31/92
Current Assets:			
Cash	$39,325	$13,050	$ 20,249
U.S. Treas. Bills, cost	171,252	209,402	226,052
Accounts Receivable	27,472	23,051	20,530
Federal Income Tax Refund	3,615	6,000	5,067
TOTAL CURRENT ASSETS	$241,664	$251,503	$271,898
Investments:			
Tintic Uranium Stock-Cost	853	853	853
TOTAL INVESTMENTS	853	853	853
Property:			
Furniture & Fixtures	870	870	870
Oil and Gas Leaseholds, Developed	60,500	30,250	30,250
Leased Mining Property, East Tintic Mining Unit	757,537	754,371	754,371
Less: Accum. Depletion & Deprec.	(349,935)	(364,420)	(380,006)
	$468,972	$421,071	$405,485
Undeveloped Oil & Gas Leaseholds & Mineral Rights	1,007	1,007	1,007
TOTAL PROPERTY	469,979	422,078	406,492
TOTAL ASSETS	$712,496	$674,434	$679,243

LIABILITIES AND STOCKHOLDERS' EQUITY:

	3/31/91	12/31/91	3/31/92
Current Liabilities:			
Accounts Payable	$ 1,113	$ 1,304	$ 2,049
Payroll Tax Payable	237	268	282
Total Current Liabilities	1,350	1,572	2,331
Stockholders' Equity:			
Capital Stock, $.10 par value, 1,300,000 issued	130,000	130,000	130,000
Less: 55,542 shares, held in treasury at par value, 55,875 on 3/31/92	(5,554)	(5,554)	(5,588)*
Additional Paid-In Cap.	608,743	608,743	608,580*
Retained Earnings	(22,043)	(60,327)	(56,080)*
Total Stockholders' Equity	711,146	672,862	676,912
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$712,496	$674,434	$679,243

*During the quarter ended March 31, 1992, the Registrant, pursuant to its program described hereinafter, purchased 333 shares of Registrant's capital stock. The purchase price was allocated $34 to treasury stock at par, $163 to reduce Paid-In Cap. and $53 to reduce Retained Earnings.

SOUTH STANDARD MINING COMPANY

INCOME STATEMENT

For the First Quarter Ended March 31, 1991 and 1992,
And for the 1991 and 1992 Year-to-Date

	1991 First Quarter	1992 First Quarter	1991 Year-to-Date	1992 Year-to-Date
Gross Sales				
Royalties Income	$44,582	$44,892	$44,582	$44,892
Interest Income	3,117	3,317	3,117	3,317
Oil and Gas Production	1,459	505	1,459	505
Grazing Fees	641	641	641	641
	$49,799	$49,355	$49,799	$49,355
Costs and Expenses				
General & Administrative	20,474	29,469	20,474	29,469
Amortization of Mining Property	18,526	15,586	18,526	15,586
	$39,000	$45,055	$39,000	$45,055
Net Income (Loss) Before Taxes	10,799	4,300	10,799	4,300
Provision for Income Taxes	-0-	-0-	-0-	-0-
Net Income (Loss) After Taxes	10,799	4,300	10,799	4,300
Retained Earnings, Beginning	(32,842)	(60,327)	(32,842)	(60,327)
Balance, End of March	(22,043)	(56,027)	(22,043)	(56,027)
Net Income (Loss) Per Share Based on 1,244,458 Shares Outstanding on 3/31/91 and 1,244,125 Shares Outstanding on 3/31/92	$ .009	$ .003	$ .009	$ .003

SOUTH STANDARD MINING COMPANY

STATEMENT OF CASH FLOWS
For the Periods Ended March 31, 1991 and 1992
Increase (Decrease) in Cash

	3/31/91	3/31/92
Cash Flows from Operating Activities: Net Income (Loss)	$10,799	$ 4,300
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities	-0-	-0-
Depletion and Depreciation	18,526	15,586
Change in Assets and Liabilities:		
(Increase) Decrease in Income Tax Refund	-0-	933
(Increase) Decrease in Accounts Receivable	3,002	2,521
Increase (Decrease) in Accounts and Payroll Payable	(80)	759
Net Cash Provided by (used in) Operating Activities	32,247	24,099
Cash Flows From Investing Activities: Net (Purchase) Sale of U.S. Treasury Bills	(302)	(16,900)
Net Cash Provided by (used in) Investing Activities including Purchase of Registrant's Own Stock	(302)	(16,900)
Net Increase (Decrease) in Cash	31,945	7,199
Cash at Beginning of Period	7,376	13,050
Cash at End of Period	$39,321	$20,249

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

Registrant's liquidity and capital resources are interrelated since the cash flow and capital resources are both derived primarily from mining royalty income, oil and gas royalties and oil and gas working interest income. The Registrant's other major source of liquidity is from interest bearing investments

The Registrant had an increase in liquidity and capital resources for the first quarter, 1992 compared to the end of the 1991 fiscal year and the first quarter, 1991. The cash position of the Registrant as of the first quarter, 1992 was increased compared to the preceding periods due to royalty income.

There has been no significant change in royalty income for the first quarter, 1992 compared to the first quarter, 1991.

The stockholders' equity of the Registrant increased for the first quarter, 1992 compared to the period ended December 31, 1991. General and administrative expenses increased in the quarter ended March 31, 1992 compared to the quarter ended March 31, 1992 due to a significant increase in legal fees. Depletion expenses have decreased due to its relationship with royalties. The Registrant has no debt or off-balance sheet financing.

During the quarter ended March 31, 1992, the Registrant began a program, which ended in April of 1992, wherein it offered to purchase all of the Registrant's stock held by any shareholder who held less than 100 shares of such stock. The purchase price offered was $0.75 per share. During the quarter ended March 31, 1992, there were 333 shares purchased by the Registrant pursuant to such program for a total purchase price of $249.75.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

None

(b) Reports on Form 8-K.

No reports on Form 8-K were filed by the Registrant during the quarter for which this Form 10-Q is filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTH STANDARD MINING COMPANY
(Registrant)

Dated May 12, 1992

By J. Murray Ruby
J. Murray Ruby
Secretary and Treasurer
(Principal Financial Officer)

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter ended March 31, 1992

Commission File No. 0-18774

Spindletop Oil & Gas Co.
(Exact name of registrant as specified in its charter)

Texas	75-2063001
State or other jurisdiction of incorporation organization)	(I.R.S. Employer or I.D.#)

9319 LBJ. Frwy., #205, Dallas, Tx	75243
(Address of principle executive offices)	(Zip Code)

(214)644-2581
Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of 15 (d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past ninety (90) days.

YES X NO ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock - $.001 par value	43,922,339
(Title of Class)	(Number of shares Outstanding on May 12, 1992)

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SPINDLETOP OIL & GAS CO.

FORM 10-Q March 31, 1992

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Three Months Ended March 31, 1992 and 1991 5

Consolidated Statements of Cash Flows (Unaudited)
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Part I Financial information
Item 1. Financial statements

SPINDLETOP OIL & GAS CO. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	March 31 1992 (Unaudited)	December 31 1991
Assets		
Current Assets		
Cash	$ 218,000	$ 345,000
Accounts receivable	487,000	463,000
Accounts receivable, related parties	41,000	41,000
Note receivable	-	12,000
Inventory	20,000	22,000
Total Current Assets	766,000	883,000
Property and Equipment - at cost		
Oil and gas properties (full cost method)	1,620,000	1,527,000
Rental equipment	267,000	257,000
Gas gathering systems	145,000	145,000
Other property and equipment	175,000	175,000
	2,207,000	2,104,000
Accumulated depreciation and amortization	(1,127,000)	(1,074,000)
	1,080,000	1,030,000
Other Assets, net of accumulated amortization of $30,000 and $29,000 at March, 1992 and December 31, 1991 respectively	37,000	38,000
Total Assets	$ 1,883,000	$1,951,000

See accompanying notes to financial statements.

SPINDLETOP OIL & GAS CO. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	December 31, 1991
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 568,000	$ 606,000
Current portion of long-term debt	38,000	17,000
Shareholder loans	195,000	249,000
Tax savings benefit payable	53,000	53,000
Total Current Liabilities	854,000	925,000
Shareholders' Equity		
Common stock, $.001 par value; 150,000,000 shares authorized; 53,648,589 issued (53,648,589 at December 31, 1991)	54,000	54,000
Additional paid-in capital	885,000	885,000
Retained earnings	226,000	223,000
	1,165,000	1,162,000
Less treasury stock, at cost; 9,726,250 shares (9,726,250 at December 31, 1991)	(136,000)	(136,000)
	1,029.00	1,026,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,883,000	$1,951,000

See accompanying notes to financial statements.

SPINDLETOP OIL & GAS CO. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Revenues		
Oil and gas revenues	$ 140,000	$ 172,000
Revenue from lease operations	64,000	76,000
Gas gathering fees	9,000	11,000
Equipment rental	30,000	34,000
Interest Income	2,000	1,000
Other	2,000	3,000
	247,000	297,000
Expenses		
Pipeline and rental operations	21,000	37,000
Lease operations	71,000	89,000
Depreciation and amortization	54,000	54,000
General and administrative	98,000	109,000
Interest expense	-	2,000
	244,000	291,000
Net Income	$ 3,000	$ 6,000
Net Income Per Share of Common Stock	$ 0	$ 0
Weighted average shares outstanding	$53,648,589	$ 53,648,189

See accompanying notes to financial statements.

SPINDLETOP OIL & GAS AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Cash Flows from Operating Activities		
Net Income	$ 3,000	$ 6,000
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	54,000	54,000
(Increase) decrease in accounts receivable	(24,000)	2,000
(Increase) decrease in inventory	2,000	12,000
Increase (decrease) in accounts payable	(38,000)	(95,000)
Net cash provided (used) by operating activities	(3,000)	(21,000)
Cash Flows from Investing Activities		
Capitalized acquisition, exploration and development costs	(93,000)	(42,000)
Purchase of property and equipment	(10,000)	(13,000)
Principal collected on note receivable	12,000	-
Net cash used by investing activities	(91,000)	(55,000)
Cash Flows from Financing Activities		
Repayment of notes payable	(17,000)	(34,000)
Proceeds from borrowings	38,000	-
Proceeds from sale of treasury stock	-	-
Repayment of shareholder loans	(54,000)	-
Net cash provided (used) by financing activities	(33,000)	(34,000)
Decrease in cash	(127,000)	(110,000)
Cash at beginning of period	345,000	128,000
Cash at end of period	$ 218,000	$ 18,000

See accompanying notes to financial statements.

Spindletop Oil & Gas Co. and Subsidiary
Notes to Consolidated Financial Statements
(Unaudited)

Note 1. Basis of Presentation

The accompanying financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the Company's annual Form 10-K filing. Accordingly, the reader of this form 10-Q may wish to refer to the Company's Form 10-K for the year ended December 31, 1991 for further information.

In the opinion of management, the accompanying interim financial statements contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, the results of operations and changes in cash flows of the Company and its consolidated subsidiary for the interim periods.

Spindletop Oil & Gas Co. and Subsidiary
Notes to Consolidated Financial Statements
(Unaudited)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Results of Operations

Oil and gas revenues decreased approximately 19% for the three months ended March 31, 1992 as compared to 1991. This was primarily due to a decrease in production.

Financial Condition and Liquidity

The Company's primary source of liquidity and capital resources in the short term will primarily consist of cash flow provided by operating activities. The Company plans to continue its rework of existing wells along with the exploration and development of oil and gas properties.

Part II Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) Reports on Form 8-K - None

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPINDLETOP OIL & GAS CO.
(Registrant)

DATE: May 13, 1992

By: ____________________
Paul E. Cash
President

DATE: May 13, 1992

By: ____________________
Gary Goodnight
Controller

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 1992

____ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number:

PROCESSED BY
MAY 15, 1992
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VALASSIS INSERTS, INC.
(Exact Name of Registrant

DELAWARE
(State or Other Jurisdiction of Incorporation or Organization)

38-2707602
(IRS Employer Identification Number)

-50

36111 Schoolcraft
Livonia, Michigan 48150
Telephone Number: (313) 591-3000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceeding 12 months (or for such shorter period that the registrant was required to file such reports) and, (2) has been subject to such filing requirements for the past 90 days:

Yes ____ No X (not previously subject to filing)

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Part I - Financial Information

Item 1. Financial Statements

VALASSIS INSERTS, INC.
Consolidated Balance Sheets
March 31, 1992 and June 30, 1991
(in thousands)

Assets	March 31 1992 (Unaudited)	June 30, 1991 (Audited)
Current assets:		
Cash	$ 55	$ 31
Accounts receivable (less allowance for doubtful accounts of $927 at March 31, 1992 and $700 at June 30, 1991)	73,192	61,666
Intercompany receivable	2,223	-
Inventories:		
Raw materials	8,627	9,055
Work in process	10,523	7,969
Prepaid expenses and other	712	913
Deferred income taxes	1,129	1,999
Total current assets	98,461	81,633
Property, plant, and equipment, at cost:		
Land and buildings	18,284	18,268
Machinery and equipment	100,959	98,484
Office furniture and equipment	13,371	12,588
Automobiles	632	606
Leasehold improvements	1,000	975
	134,246	130,921
Less accumulated depreciation and amortization	73,634	61,820
Net property, plant and equipment	60,612	69,100
Intangible assets:		
Goodwill	91,464	91,464
Other intangibles	165,699	165,342
	257,163	256,806
Less accumulated amortization	132,696	116,350
Net intangible assets	124,467	140,456
Other assets (including $7,952 debt issuance costs in 1992)	7,981	591
Total assets	$291,521	$291,781
	========	========

VALASSIS INSERTS, INC.
Consolidated Balance Sheets, Continued
March 31, 1992 and June 30, 1991
(in thousands)

Liabilities and Stockholder's Equity (Deficit)	March 31, 1992 (Unaudited)	June 30, 1991 (Audited)
Current liabilities:		
Accounts payable	$ 43,993	$ 48,231
Accrued expenses	19,464	11,878
Income taxes	40,025	27,746
Progress billings	52,864	37,895
Total current liabilities	156,347	125,750
Long-term debt	528,406	120,000
Deferred income taxes	9,540	10,340
Stockholder's equity (deficit):		
Common stock of $.01 par value. Authorized 3,000 shares; issued and outstanding 250 shares at March 31, 1992 and at June 30, 1991	-	-
Additional paid-in capital	-	-
Retained earnings (deficit)	(402,772)	35,691
Total stockholder's equity (deficit)	(402,772)	35,691
	$291,521	$291,781

VALASSIS INSERTS, INC.
Consolidated Statements of Operations
Quarter ended March, 1992 and 1991 and
nine months ended March 31, 1992 and 1991
(in thousands except for per share information)
(unaudited)

	Quarter Ended		Nine Months Ended	
	March 31, 1992	March 31, 1991	March 31, 1992	March 31, 1991
Revenues:				
FSI sales	$175,727	$157,791	$436,732	$389,842
VIP sales	16,735	11,584	44,171	39,362
ROP sales	6,953	8,691	21,521	32,275
Other	495	153	872	491
	199,910	178,219	503,296	461,970
Cost and expenses:				
Cost of products sold	126,350	116,301	327,900	313,316
Selling, general and administrative	13,727	11,168	42,290	48,296
Amortization of intangible assets	2,994	6,378	15,988	19,135
Interest	5,677	2,556	12,079	8,997
	148,748	136,403	398,257	389,744
Earnings before income taxes	51,162	41,816	105,039	72,226
Income taxes	18,700	15,557	41,800	30,154
Net earnings	$ 32,462	$ 26,259	$ 63,239	$ 42,072

VALASSIS INSERTS, INC.
Consolidated Statements of Cash Flow
Nine months ended March 31, 1992 and 1991
(in thousands)
(unaudited)

	Nine Months Ended March 31, 1992	 March 31, 1991
Cash flows from operating activities:		
Net earnings	$ 63,239	$ 42,072
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and Amortization	28,170	30,780
Provision for losses on accounts receivable	1,001	505
Loss on sale of property, plant, and equipment	31	-
Deferred income taxes	(1,930)	2,701
Changes in assets and liabilities which increase (decrease) cash flow:		
Accounts receivable	(14,750)	(27,107)
Inventories	(2,126)	(379)
Prepaid expenses	201	884
Other assets	(7,390)	(42)
Accounts payable	(4,237)	15,399
Accrued expenses	7,586	8,425
Income taxes	12,279	14,816
Income taxes forgiven by parent	11,703	8,134
Program billings	14,969	19,163
Total adjustments	45,507	73,279
Net cash provided by operating activities	108,746	115,351
Cash flows from investing activities:		
Additions to property, plant and equipment	(3,745)	(6,518)
Other	22	-
Net cash used in investing activities	(3,723)	(6,518)
Cash flows from financing activities:		
Dividends paid	(513,405)	(87,881)
Net repayments under line-of-credit arrangements	-	(946)
Proceeds from long-term debt	883,406	60,000
Repayments on long-term debt	(475,000)	(80,000)
Net cash used in financing activities	(104,999)	(108,827)
Net increase in cash	24	6
Cash at beginning of the period	31	41
Cash at end of the period	$ 55	$ 47
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 11,775	$ 5,712
Cash paid during the period for income taxes	$ 19,753	$ 6,704

Notes to Consolidated Financial Statements

1. Valassis Inserts, Inc. (the Company) is a wholly-owned subsidiary of Valassis Communications, Inc. (formerly Consolidated Press U.S., Inc.), a publicly-held company.

   The Company operates in a single industry segment and principally produces free-standing inserts for customers in the package goods industry throughout the United States. No single customer accounted for more than 10 percent of the Company's sales in fiscal 1991 or 1992.

   In the opinion of management, the information contained herein reflects all adjustments to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature. The results of operations for the interim periods are not necessarily indicative of results to be expected for the fiscal year.

2. On March 18, 1992, the Company sold through a public offering $150,000,000 8-3/8% Senior Notes due 1997, $120,000,000 8-7/8% Senior Notes due 1999, and $150,000,000 9-3/8% Senior Subordinated Notes due 1999 and entered into additional bank financing of $130,000,000 (pursuant to a new three-year bank facility of up to $150,000,000). Proceeds of $540,424,000, net of underwriting and banking fees and other expenses of $9,576,000 were received. These proceeds were used to retire all existing debt and to pay a dividend of $290.4 million to Valassis Communications, Inc. At the same time, the Company paid a further dividend of $2.6 million to Valassis Communications, Inc. from internally generated cash.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

For the quarter ended March 31, revenues increased by 12% to $200.0 million this year compared with $178.2 million last year, mainly due to continued growth in free-standing insert (FSI) sales. FSI sales increased by 11% to $175.7 million this quarter from $157.8 million during the same quarter last year. Sales of single participant promotional programs through the Valassis Impact Printing (VIP) division were $16.7 million versus $11.6 million and run-of-press (ROP) sales were $7.0 million versus $8.7 million. FSI page volume was up 9% this quarter versus the same quarter last year (due to strong sales and an extra publishing date) with the balance of the sales gain coming from higher rates and circulation. Revenues for the first nine months of 1992 were $503.3 million, representing a 9% increase over revenues for the first nine months of 1991 of $462.0 million. This increase was primarily due to an 8% increase in FSI page volume and, to a lesser extent, an increase in pricing.

A combination of continued favorable pricing in the paper market and operating efficiencies gained by the increase in page volume caused an improvement in gross margin for the third quarter of 1992 and for the first nine months of 1992. SG&A expenses increased to $13.7 million this quarter from $11.2 million for the same quarter last year. Amortization of intangibles declined to $3.0 million this quarter compared to $6.4 million for the same quarter last year as certain intangibles became fully amortized in prior periods.

The effective tax rate for the third quarter of 1992 and 1991 was 37%. The effective tax rate for the first nine months of 1992 was 40%, down from 42% for the first nine months of 1991, due to lower add-backs for non-deductible amortization of intangibles. Net income for the third quarter of 1992 was $32.4 million as compared to $26.3 million for the third quarter of 1991. Net income for the first nine months of 1992 was $63.2 million as compared to $42.1 million for the first nine months of 1991.

Financial Condition

Cash flow from operating activities for the first nine months of 1992 decreased 6% to $108.7 million from $115.4 million for the first nine months of 1991. This was due primarily to $7.9 million in prepaid fees related to the public debt offering and new credit facility and increased working capital needs to support the strong third quarter sales volume.

Capital expenditures were $3.7 million for the first nine months of 1992 compared with $6.5 million for the same period last year. Future anticipated capital expenditures are expected to be funded by cash provided by operations.

The net proceeds of the debt offering and new credit facility of $540.4 million were used primarily to pay off existing debt and to pay dividends to Valassis Communications, Inc. As a result, the Company's debt increased substantially. Nonetheless, management believes that the Company will generate sufficient funds from operations and will have sufficient lines of credit available to meet currently anticipated liquidity needs, including interest and required principal payments on this indebtedness. The Company has already paid down $20 million on the credit facility entered into in conjunction with the public offering.

Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits - None

b. Forms 8-K - No reports on Form 8-K were filed during the quarter ended March 31, 1992.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 13, 1992

Valassis Inserts, Inc.
(registrant)

Robert L. Recchia
V.P. Finance-Chief Financial Officer

Signing on behalf of the registrant and as principal financial officer.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 1992

Commission File Number: 0-3676

VSE CORPORATION

(Exact Name of Registrant as Specified in its Charter)

DELAWARE (State or Other Jurisdiction of Incorporation or Organization)	54-0649263 (I.R.S. Employer Identification No.)
2550 Huntington Avenue Alexandria, Virginia (Address of Principal Executive Offices)	22303-1499 (Zip Code)
Registrant's Telephone Number, Including Area Code	(703) 960-4600
Securities registered pursuant to Section 12(b) of the Act:	None
Securities registered pursuant to Section 12(g) of the Act:	Common Stock, par value $.05 per share (Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Number of shares of Common Stock outstanding on May 1, 1992: 1,671,816 shares.

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VSE CORPORATION AND SUBSIDIARIES
Consolidated Financial Statements (Unaudited)

Consolidated Balance Sheets (in thousands, except share amounts)	March 31, 1992	December 31, 1991
Assets		
Current assets:		
Cash and cash equivalents (Note 1)	$ 249	$ 190
Accounts receivable, principally U. S. Government (Notes 1, 3 and 6)	15,879	13,136
Deferred tax charges (Notes 1 and 9)	2,159	1,870
Other current assets	1,341	1,135
Net assets held for sale (Note 2)	-0-	6,096
Net current assets of discontinued operations (Note 2)	5,173	-0-
Total current assets	24,801	22,427
Property and equipment, net (Notes 1 and 6)	4,013	3,801
Other assets	1,512	1,501
Net property, equipment, and other noncurrent assets of discontinued operations (Note 2)	6,597	6,597
Total assets	$ 36,923	$ 34,326
Liabilities and Stockholders' Investment		
Current liabilities:		
Current portion of long-term debt (Note 6)	$ 23	$ 23
Accounts payable and other current liabilities	5,247	2,562
Accrued expenses (Note 7)	6,087	5,171
Accrued income taxes (Notes 1 and 9)	-0-	70
Dividends payable	117	118
Net current liabilities of discontinued operations (Note 2)	-0-	923
Total current liabilities	11,474	8,867
Long-term debt, less current portion above (Note 6)	2,705	2,794
Deferred compensation	1,033	995
Deferred income taxes (Notes 1 and 9)	36	71
Total liabilities	15,248	12,727
Commitments and contingencies (Notes 1 and 10)		
Stockholders' investment:		
Common stock, par value $.05 per share, authorized 5,000,000 shares in 1992 and 1991; issued 1,948,044 shares in 1992 and 1991	97	97
Paid-in surplus	8,247	8,247
Retained earnings	15,902	15,826
Treasury stock, at cost (276,228 shares in 1992 and 1991)	(2,571)	(2,571)
Total stockholders' investment	21,675	21,599
Total liabilities and stockholders' investment	$ 36,923	$ 34,326

See accompanying notes

VSE CORPORATION AND SUBSIDIARIES
Consolidated Financial Statements (Unaudited)

Consolidated Statements of Income (in thousands, except per share data)	*For the three months ended March 31,* 1992	1991
Revenues, principally from contracts (Note 1)	$ 19,457	$ 16,541
Costs and expenses of contracts (Notes 1, 8, 10)	18,518	15,941
Gross profit	939	600
Selling, general and administrative expenses (Notes 1, 4 , 10)	595	548
Interest expense	55	156
Income (loss) from continuing operations, before income taxes	289	(104)
Provision (benefit) for income taxes (Notes 1 and 9)	97	(41)
Income (loss) from continuing operations	192	(63)
Income from discontinued operations, less applicable income taxes of $-0- in 1992 and $40 in 1991 (Note 2)	-0-	123
Net income	$ 192	$ 60
Earnings per common share, based on weighted average shares outstanding (1,671,816 in 1992 and 1,682,829 in 1991):		
Income (loss) from continuing operations	$ .11	$ (.03)
Income from discontinued operations	-0-	.07
Net income	$ .11	$ .04

Consolidated Statements of Stockholders' Investment
(in thousands)

	Common Stock				Treasury
	Shares Issued	Dollars	Paid-In Surplus	Retained Earnings	Stock Dollars
Balance at December 31, 1990	1,948	$ 97	$ 8,247	$ 20,975	$ (2,503)
Net income for the period	-	-	-	60	-
Dividends declared ($.07)	-	-	-	(117)	-
Purchase of Treasury stock	-	-	-	-	(7)
Balance at March 31, 1991	1,948	$ 97	$ 8,247	$ 20,918	$ (2,510)
Balance at December 31, 1991	1,948	$ 97	$ 8,247	$ 15,826	$ (2,571)
Net income for the period	-	-	-	192	-
Dividends declared ($.07)	-	-	-	(116)	-
Purchase of Treasury stock	-	-	-	-	-
Balance at March 31, 1992	1,948	$ 97	$ 8,247	$ 15,902	$ (2,571)

See accompanying notes

VSE CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements (Unaudited)

Consolidated Statements of Cash Flows (in thousands)	*For the three months ended March 31,* 1992	1991
Cash flows from operating activities:		
Net income	$ 192	$ 60
Adjustments to reconcile net income to net cash provided by continuing operations:		
Depreciation and amortization	301	375
(Income) loss from discontinued operations	-0-	(123)
Loss on sale of property and equipment	11	18
Deferred compensation plan expense	37	18
Change in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(2,743)	4,858
Other current assets	(206)	(147)
Deferred tax charges	(289)	(212)
Other assets	(29)	14
Increase (decrease) in:		
Accounts payable and other current liabilities	2,693	47
Accrued expenses	916	109
Accrued and deferred taxes	(70)	(567)
Deferred taxes - noncurrent	(35)	-0-
Net cash provided by continuing operations	778	4,450
Net cash provided by (used in) discontinued operations	-0-	123
Net cash provided by operations	778	4,573
Cash flows from investing activities:		
Purchase of property and equipment	(543)	(174)
Proceeds from disposition of property and equipment	37	12
Change in net assets of discontinued operations	-0-	(271)
Net cash provided by (used in) investing activities	(506)	(433)
Cash flows from financing activities:		
Additions to (repayments of) bank notes payable	-0-	(9,367)
Proceeds from deferred compensation	3	8
Proceeds from long-term debt	-0-	5,623
Purchase of Treasury stock	-0-	(7)
Cash dividends paid	(116)	(117)
Payments of deferred compensation	(11)	(23)
Payment of long-term debt	(89)	(3)
Net cash (used in) financing activities	(213)	(3,886)
Net increase in cash and cash equivalents	59	254
Cash and cash equivalents at beginning of year	190	532
Cash and cash equivalents at end of period	$ 249	$ 786

See accompanying notes

(1) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include VSE Corporation ("VSE" or the "company") and its wholly owned subsidiaries Schmoldt Engineering Services Company ("Schmoldt Engineering"), VSE Corona, Inc. ("VCI"), VSE Services Corporation ("VSES"), and the operations of Human Resource Systems, Inc. ("HRSI"). All significant intercompany transactions have been eliminated in consolidation. Certain operations of the company have been presented as discontinued operations (see Note 2).

Changes in Presentation

Certain amounts related to 1991 included in the consolidated financial statements and related notes have been reclassified to conform to the 1992 presentation (see Note 2).

Consolidated Statements of Cash Flows

The company considers investments with an original maturity of three months or less to be cash equivalents. Supplemental disclosures of cash flow information and noncash financing activities for the three months ended March 31, 1992 and 1991, are presented below (in thousands):

	1992	1991
Interest payments (net of amounts capitalized)	$ 12	$ 154
Income tax payments	325	443

Contract Revenues

Revenues on fixed-price contracts are recorded using the percentage-of-completion method. During the performance of such contracts, contract prices and estimated costs are reviewed and revisions are made as required. The effects of these revisions are included in the periods in which such revisions are made. Revenues on cost-type contracts are recorded on the basis of recoverable costs incurred and fees earned. Losses on contracts are recognized when they become known.

A substantial portion of the contract and administrative costs is subject to audit by the Defense Contract Audit Agency. The company's indirect cost rates have been audited and approved for 1988 and prior years. In the opinion of management, the reviews of 1989 through 1992 will not result in adjustments, if any, having a material adverse effect on the accompanying consolidated financial statements.

Income Taxes

The provision for income taxes is based on revenues and expenses reported for financial statement purposes rather than those amounts currently taxable. Deferred income taxes and deferred charges result from timing differences in reporting revenues and expenses for financial statement purposes and for income tax purposes.

The Financial Accounting Standards Board has issued SFAS No. 109, "Accounting for Income Taxes," which superseded APB Opinion No. 11 and SFAS No. 96. SFAS No. 109 differs from APB No. 11 primarily by requiring an asset and liability approach for financial accounting and reporting purposes. SFAS No. 109 requires implementation by the company in fiscal year 1993 and may be adopted by reporting a cumulative catch-up adjustment in the year of adoption or by restating prior year amounts. The company has not established the method or timing of implementation. However, the company does not believe that SFAS No. 109 will have a material adverse impact on the company's results of operations or financial position.

Property and Equipment

A major portion of the property and equipment is pledged to secure the revolving term debt. Property and equipment (valued at cost) as of March 31, 1992, and December 31, 1991, are as follows (in thousands):

	1992	1991
Land and land improvements	$ 348	$ 348
Buildings	442	442
Computer systems equipment	6,504	6,183
Furniture, fixtures, equipment, and other	5,353	5,251
	12,647	12,224
Less: Accumulated depreciation	(8,634)	(8,423)
	$ 4,013	$ 3,801

Depreciation and amortization expense for the three months ended March 31, 1992 and 1991, was approximately $283 thousand and $347 thousand, respectively. Depreciation of buildings and land improvements is provided principally by the straight-line method over approximately thirty years. Depreciation of furniture and fixtures is provided principally by the straight-line method over approximately nine years. Depreciation of all other property and equipment is provided principally by the double-declining balance method over periods of three to twenty years.

(2) Discontinued Operations

Exchange Agreement

On March 25, 1992, VSE entered into an agreement (the "Exchange Agreement") under which VSE will transfer to J. B. Toomey and his family (the "Exchanging Stockholders") all of the outstanding capital stock of VSE's subsidiaries Design and Production Incorporated ("D&P"), Starr Management Corporation ("Starr"), and Metropolitan Capital Corporation ("MetCap") in exchange for an aggregate of 808,649 shares of VSE common stock. The Exchange Agreement provides, among other things, for transfer to VSE of certain assets of Starr, including Starr's investment in HRSI, approximately 32 acres of Starr's improved real estate used by VSE as an engineering test center, and for the transfer to VSE of $2.0 million in cash, or at VSE's option, by offset of VSE indebtedness, if any, to D&P and Starr. The Exchange Agreement is subject to certain contingencies including the approval of VSE stockholders at the annual meeting of stockholders expected to be held in July 1992. It is anticipated that closing on the Exchange Agreement will occur prior to September 1, 1992, following satisfaction of the conditions to the closing.

The company believes that the fair market value of the VSE common stock transferred from the Exchanging Stockholders to VSE is approximately equal to the fair market value of the D&P, Starr, and MetCap common stock transferred by VSE to the Exchanging Stockholders. The fair market value of the assets being transferred and the assets being received by the company are supported by an opinion received from a financial advisory firm. VSE and the Exchanging Stockholders will bear their own costs for the transaction.

As of March 25, 1992 (the measurement date), it is expected that the exchange transaction will result in a book gain to VSE of approximately $1.5 million based on current estimates of the net realizable values of the discontinued operations at that date, after giving consideration to costs and expenses of approximately $400 thousand directly associated with the disposal, and including expected losses, if any, of the discontinued operations through September 1, 1992, the anticipated disposal date.

Any gain on the sale of discontinued operations will be recognized when realized, which is ordinarily on the disposal date. The VSE shares received from the Exchanging Stockholders will be accounted for as Treasury shares.

In connection with the Exchange Agreement, VSE obtained appraisals of the company's real estate. The appraisals were prepared on an "as-is" basis since the assets were not to be held for the long term. The appraisals of the real estate owned by Starr generally resulted in fair market values which are significantly less than the carrying value at which these properties were recorded on Starr's books, and a write-down of approximately $4.4 million was recorded as of December 31, 1991.

The results of operations from activities related to the engineering services segment have been classified as income (loss) from continuing operations.

Discontinued Operations

The results of operations of D&P, MetCap, and Starr (excluding HRSI and certain other assets of Starr) were reclassified as discontinued operations as of December 31, 1991. Estimated net income for discontinued operations during 1992, which will be adjusted to actual amounts at the disposal date, are included in the estimated book gain discussed above (see "Exchange Agreement"). Amounts related to discontinued operations for the three months ended March 31, 1991, are summarized as follows (in thousands):

	1991
Revenues	$ 3,329
Contract and administrative costs	3,166
Income before income taxes	163
Provision for income taxes	40
Net income	$ 123

The estimated net realizable value of the assets from discontinued operations are included in the consolidated balance sheets as of March 31, 1992, and December 31, 1991, in "Net current assets of discontinued operations," "Net current liabilities of discontinued operations," and "Net property, equipment, and other noncurrent assets of discontinued operations." The net assets from discontinued operations as of March 31, 1992, and December 31, 1991, are as follows (in thousands):

	1992	1991
Cash	$ 4,500	$ 1,507
Certificate of deposit	154	154
Accounts receivable	6,758	4,287
Marketable securities	89	89
Other current assets	455	291
Bank notes payable	(363)	(140)
Accrued expenses	(1,030)	(897)
Accounts payable and other liabilities	(3,362)	(4,186)
Current portion of long-term debt	(2,028)	(2,028)
Net current assets (liabilities) of discontinued operations	$ 5,173	$ (923)
Investments in small business concerns	$ 2,502	$ 2,287
Property, equipment, and other assets, net	10,121	9,635
Long-term debt and other liabilities	(6,026)	(5,325)
Net property, equipment, and other noncurrent assets of discontinued operations	$ 6,597	$ 6,597

As of March 31, 1992, and December 31, 1991, MetCap had debentures outstanding with the Small Business Administration ("SBA") of approximately $2.0 million. On April 24, 1992, the SBA called the debentures as a result of MetCap's capital impairment. MetCap entered into a demand note with interest with Starr whereby MetCap could borrow up to $2.3 million. MetCap repaid the SBA in full on April 27, 1992, and is currently withdrawing from the SBA program.

Assets Held for Sale

The results of operations related to certain assets owned by Starr and used in the engineering services business, primarily the facility in Norco, California, were included in income (loss) from continuing operations. In December 1991 Starr wrote-down the cost of the Norco facility by approximately $1.7 million to its estimated net realizable value as of December 31, 1991, and on February 28, 1992, Starr sold the Norco facility for an amount equal to the net realizable value. The estimated net realizable value of such assets is included in "Net assets held for sale" at December 31, 1991.

Guarantees - Discontinued Operations

The company is a guarantor of an Industrial Development Revenue Note assumed by Alexandria Tech Center II/Starr Associates, a Virginia general partnership of which Starr is a 50% partner. As of March 31, 1992, the outstanding principal of the note was approximately $2.9 million. The note evidences loan proceeds that were used to finance the construction of an office building which was completed in 1987. The company leased 50% of the office building owned by the partnership for a period of ten years and the remaining 50% of the building for a period of five years. The five and ten year lease periods expire in July 1992 and July 1997, respectively.

The company is the guarantor of D&P's $2.0 million line of credit with a bank. There are no borrowings outstanding under the D&P line as of March 31, 1992.

The company is a guarantor of performance bonds for D&P in the amount of $6.7 million. Approximately $900 thousand of the work covered by the performance bonds remains to be completed as of March 31, 1992.

Pursuant to the Exchange Agreement, D&P and Starr have agreed to seek releases of VSE, effective as of the closing of the Exchange Agreement or thereafter, from all guarantees given by VSE on behalf of D&P or Starr. If such releases cannot be obtained, D&P and Starr have agreed not to extend the duration or increase the amount of any VSE guarantees. In addition, D&P and Starr have agreed to indemnify the company for any guarantee given by VSE on behalf of D&P or Starr.

(3) Accounts Receivable

The components of accounts receivable as of March 31, 1992, and December 31, 1991, are as follows (in thousands):

	1992	1991
Billed	$ 8,327	$ 6,755
Unbilled:		
Retainages (generally not billable within one year)	414	480
Other (principally March work billed in April and December work billed in January)	7,423	6,165
Less - Allowance for doubtful accounts	(285)	(264)
Total accounts receivable	$ 15,879	$ 13,136

Accounts receivable "Unbilled: Other" are reported net of an allowance for contract disallowances of approximately $1.2 million as of March 31, 1992, and December 31, 1991. "Unbilled: Other" also includes certain costs which are not reimbursable under current contracts, but which the company believes will be reimbursable on execution of contract documentation or amendments increasing funding. Amounts not presently reimbursable included in "Unbilled: Other" were approximately $182 thousand and $124 thousand as of March 31, 1992, and December 31, 1991, respectively.

Contracts with the U. S. Government accounted for approximately 94% and 95% of consolidated revenues in the three month periods ended March 31, 1992 and 1991, respectively. These contracts were performed primarily in the engineering services industry. One such contract with the U. S. Navy accounted for approximately 24% and 31% of consolidated revenues during the respective periods.

(4) Nonoperating Net Income

Nonoperating net income included in contract and administrative costs, primarily interest income, was approximately $1 thousand and $21 thousand for the three months ended March 31, 1992 and 1991, respectively.

(5) Schmoldt Engineering

In July 1990 the company acquired all of the outstanding stock of Schmoldt Engineering for cash and debt. The debt was paid in December 1990 and all obligations to the previous owner of Schmoldt Engineering were satisfied in full in 1991. The acquisition was accounted for by the purchase method of accounting. Goodwill of approximately $95 thousand and intangible assets of approximately $350 thousand are being amortized by the straight-line method over periods from one and a half to ten years.

(6) Debt

Long-term debt as of March 31, 1992, and December 31, 1991, was as follows (in thousands):

	1992	1991
Revolving term loans (interest at the bank's prime rate of interest)	$ 2,704	$ 2,792
Other debt	24	25
	2,728	2,817
Less portion due within one year	(23)	(23)
	$ 2,705	$ 2,794

VSE and certain of its engineering services subsidiaries (the "Borrowers") have a term loan agreement (the "agreement") with a bank whereby the Borrowers may borrow up to $8.0 million, subject to borrowing base formulas and certain other conditions. The loans and any interest thereon shall be payable on the termination date of May 31, 1993, which date may be extended at the option of the bank. Borrowings under this agreement are secured generally by all of the Borrowers' accounts receivable, equipment, and inventory.

Amounts borrowed under the agreement bear interest payable quarterly at the prime rate of interest established by the bank. The Borrowers are required to pay a quarterly commitment fee at the rate of 0.375% per annum on the average daily unused amount of the loan commitment. The agreement requires the company to maintain a minimum tangible net worth and leverage ratios, as defined in the agreement, of $24.5 million and 1.5 to 1.0 until December 31, 1991, and $25.0 million and 1.4 to 1.0 at all times thereafter, and limits the payment of cash dividends to an annual rate of up to $.30 per share. The maturity of this debt could be accelerated if certain covenants in the agreement are not met.

Certain covenants of the agreement are required to be amended as a result of the Exchange Agreement (see Note 2). The company's bank has agreed to waive such covenants pending amendment of the agreement. The company was in compliance with all other covenants as of March 31, 1992, and December 31, 1991.

For consolidated cash management purposes, VSE has aggregate short-term borrowings from D&P and Starr of approximately $2.5 million as of March 31, 1992.

(7) Accrued Expenses

The components of accrued expenses as of March 31, 1992, and December 31, 1991 are as follows (in thousands):

	1992	1991
Accrued salaries	$ 1,950	$ 1,664
Accrued vacation	1,438	1,249
Other accrued expenses	2,699	2,258
	$ 6,087	$ 5,171

(8) Retirement Plans

VSE established an ESOP/401(k) plan in 1984. Under the provisions of the ESOP portion of the plan, the company and certain of its subsidiaries make contributions into a trust which purchases VSE stock on behalf of employees who meet certain age and service requirements and are employed at the end of the plan year. Contributions at the rate of up to 2% of eligible employee compensation may be made at the discretion of the board of directors and are allocated, subject to a vesting schedule, on a pro rata basis on eligible employee compensation. The 401(k) segment of the plan allows employees meeting certain age and service requirements to contribute a portion of their salary to certain investment trusts.

The retirement plan expense for VSE and certain of its subsidiaries under this plan for the three months ended March 31, 1992 and 1991, was approximately $106 thousand and $97 thousand, respectively. There are no prior service costs under the VSE retirement plan.

Schmoldt Engineering sponsors a qualified defined contribution profit sharing plan for employees who elect to become participants and who meet certain eligibility requirements. At its discretion, Schmoldt Engineering may contribute an amount of up to 15% of the participant's compensation to the plan. The Schmoldt Engineering plan expense for the three months ended March 31, 1992 and 1991, was approximately $8 thousand and $5 thousand, respectively.

In December 1990 the Financial Accounting Standards Board issued a new standard on accounting for post-retirement benefits other than pensions. The company does not offer post-retirement benefits to employees and has determined that the new accounting standard will have no effect on the company.

(9) Income Taxes

The company files consolidated Federal income tax returns with all of its subsidiaries. The differences between the amount of tax computed at the statutory Federal income tax rate of 34% and the provision (benefit) for income taxes for the three months ended March 31, 1992 and 1991, are as follows (in thousands):

	1992	1991
Tax at statutory Federal income tax rate	$ 98	$ (35)
Increases (Decreases) in tax resulting from:		
State taxes, net of Federal tax benefit	14	(12)
Other, net	(15)	6
Income tax provision (benefit)	$ 97	$ (41)

(10) Commitments and Contingencies

Leases

The principal facilities of the company and its subsidiaries are generally rented under operating leases for periods of one to ten years. The company and its subsidiaries also lease equipment generally under noncancelable operating leases for periods of one to two years. Rent expense for the three months ended March 31, 1992 and 1991, was approximately $1.0 million and $1.2 million, respectively, which was net of sublease income of approximately $50 thousand and $37 thousand, respectively.

Litigation

The company has been notified by a bank that a civil action has been initiated by a third party against the bank with respect to a letter of credit issued by the bank pursuant to a standby letter of credit agreement between the bank and the company in favor of a third party. The letter of credit was issued to collateralize the third party's guarantee on behalf of the S. S. Monterey Limited Partnership passenger deposits. The third party has alleged that a draft of approximately $300 thousand drawn on the letter of credit in 1991 was wrongfully dishonored by the bank and seeks payment of the draft and a judicial determination that the letter of credit is still outstanding. The bank has stated that it is looking to the company for indemnification of its legal fees and any adverse judgment. The company denies liability to the third party or the bank and intends to pursue its position vigorously if an adverse judgment is received by the bank.

The company and its subsidiaries have, in the normal course of business, certain other claims against them and against other parties. In the opinion of management, the resolution of these claims will not have a material adverse effect on the company's results of operations or financial position.

VSE CORPORATION AND SUBSIDIARIES
Management's Discussion and Analysis of Results of Operations and Financial Condition

The following table sets forth the revenues and pretax income from continuing operations and other items of income (loss) and the amount of changes of such items for the three months ended March 31, 1992 and 1991 (in thousands). The results for the period ended March 31, 1991, have been reclassified to reflect continuing operations only.

	1992	1991	1992 Compared to 1991
Revenues from continuing operations	$ 19,457	$ 16,541	$ 2,916
Pretax income from continuing operations	$ 289	$ (104)	$ 393
Provision (benefit) for income taxes	97	(41)	138
Income (loss) from continuing operations	192	(63)	255
Income from discontinued operations, net of taxes	-0-	123	(123)
Net income	$ 192	$ 60	$ 132

Results of Operations

Continuing operations includes the operations of VSE Corporation ("VSE" or the "company"), Human Resource Systems, Inc. ("HRSI"), Schmoldt Engineering Services Company ("Schmoldt Engineering"), VSE Corona, Inc. ("VCI"), and VSE Services Corporation ("VSES"), which operate principally in the engineering, development, testing, and management services industry. Intercompany sales are principally at cost.

The revenues from continuing operations increased for the three months ended March 31, 1992, compared to the same period of 1991 primarily due to new contracts awarded to VSE's Value Systems Services division and to HRSI. Other increases in revenues from continuing operations for this period in 1992 as compared to 1991 were due to an increase in VSE's engineering services volume.

Pretax income from continuing operations increased for the three months ended March 31, 1992, compared to the same period of 1991 primarily due to improved profit margins on existing VSE work. The improved VSE profit margins were attributable to reduced allocated general and administrative costs, improved contract cost management, and lower interest expense due to reduced borrowings and lower interest rates. Other increases in pretax income from continuing operations for this period in 1992 as compared to 1991 were due to a reduction in the expenses associated with the VCI subcontract termination and a reduction in costs associated with the start-up of HRSI.

Income Taxes

The Financial Accounting Standards Board has issued SFAS No. 109, "Accounting for Income Taxes," which superseded APB Opinion No. 11 and SFAS No. 96. SFAS No. 109 differs from APB No. 11 primarily by requiring an asset and liability approach for financial accounting and reporting purposes. SFAS No. 109 requires implementation by the company in fiscal year 1993 and may be adopted by reporting a cumulative catch-up adjustment in the year of adoption or by restating prior year amounts. The company has not established the method or timing of implementation. However, the company does not believe that SFAS No. 109 will have a material adverse impact on the company's results of operations or financial position.

Discontinued Operations

On March 23, 1992, VSE's board of directors approved an exchange agreement under which VSE would transfer to the company's major stockholder, John B. Toomey, and his family, in exchange for their 808,649 shares (48.4%) of VSE common stock, VSE subsidiaries Design and Production Incorporated, Starr, and Metropolitan Capital Corporation. The proposed transaction is subject to, among other things, (a) an opinion from a financial consulting firm, which has not been withdrawn as of the closing date of the exchange, that the transaction is fair, from a financial point of view, to VSE's unaffiliated stockholders, and a ruling from the Internal Revenue Service that the transaction qualifies as a nontaxable corporate separation under the Internal Revenue Code, and (b) the approval of VSE's stockholders.

Inflation and Pricing Policy

Most of the contracts performed by VSE provide for estimates of future labor costs to be escalated for any option periods provided by the contracts, while the non-labor costs included in such contracts are normally considered reimbursable at cost. VSE's property and equipment costs are not significant in the aggregate, and the overall impact of inflation on replacement costs is not significant.

Liquidity and Capital Resources

During 1991 VSE, VCI, and Schmoldt Engineering (the "Borrowers") entered into a term loan agreement with a bank to finance up to $8.0 million of operating cash requirements if needed. The loan agreement provides committed funds through May 1993 and is secured generally by all of the Borrowers' accounts receivable, equipment, and inventory. The financing available under the loan agreement is considered adequate to meet operating cash requirements for the foreseeable future.

PART II. Other Information

Item 1. Legal Proceedings.

Reference is made to Note 10 (Commitments and Contingencies) of "Notes to Consolidated Financial Statements" included in Part I of this Form 10-Q.

Item 5. Other Information

Reference is made to Note 2 (Discontinued Operations) of "Notes to Consolidated Financial Statements" included in Part I of this Form 10-Q on the repayment in April 1992 of certain debentures owed to the Small Business Administration by Metropolitan Capital Corporation.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

(11) Statement re computation of per share earnings. Reference is made to the "Consolidated Statements of Income" included in Part I of this Form 10-Q on the computation of per share earnings.

(b) Reports on Form 8-K.

On February 7, 1992, VSE Corporation (the "Registrant") filed a report on Form 8-K, reporting that the Registrant had signed a letter of intent representing an agreement in principle regarding the basic terms under which the Registrant will transfer to J. B. Toomey, and his family, all of the outstanding capital stock of the Registrant's subsidiaries Design and Production Incorporated, Starr Management Corporation, and Metropolitan Capital Corporation, in exchange for an aggregate of 808,649 shares of VSE common stock, par value $.05 per share, held by J. B. Toomey, and his family. A copy of the Registrant's press release on this matter was filed as an exhibit to the Form 8-K, and a copy of the letter of intent signed by the Registrant and by J. B. Toomey and certain family members was also filed as an exhibit to the Form 8-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has omitted all other items contained in "Part II. Other Information" because such other items are not applicable or are not required if the answer is negative or because the information required to be reported therein has been previously reported.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VSE CORPORATION

Date: May 15, 1992

C. S. Weber, Senior Vice President,
Secretary and Treasurer
(Principal Financial Officer)

Date: May 15, 1992

Thomas J. Corridon

T. J. Corridon, Assistant Vice President
and Director of Accounting
(Principal Accounting Officer)

The financial information included in this report reflects all known adjustments normally determined or settled at year-end which are, in the opinion of management, necessary to a fair statement of the results for the interim periods. The accompanying notes to consolidated financial statements are an integral part of this report.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1992.

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ________ TO ________.

Commission file number: 0-15826

Washington Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Delaware	22-2800126
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification)

101 Washington Street, Hoboken , New Jersey 07030
(Address of principal executive offices) (zip code)

(201) 659-0013
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES __X__ NO ______

Number of shares of common stock, par value $.10 per share, outstanding as of June 30, 1992: 2,307,187.

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PART I - FINANCIAL INFORMATION

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Washington Bancorp, Inc. & Subsidiary
Consolidated Balance Sheets

	June 30, 1992	December 31, 1991
	(unaudited)	
Assets		
Cash and due from banks	$ 3,938,768	$ 4,670,190
Federal funds sold	6,000,000	18,300,000
Investment securities, market value of $58,386,000 at June 30, 1992 and $55,784,000 at December 31, 1991	57,701,548	54,937,773
Mortgage-backed securities, market value of $1,533,000 at December 31, 1991	-	1,516,910
Mortgage loans held for resale	4,478,953	-
Loans, net of allowance for losses of $2,841,000 at June 30, 1992 and $2,989,000 at December 31, 1991	200,565,176	195,508,126
Other real estate owned ("REO"), net of allowance for losses of $1,243,000 at June 30, 1992 and $1,328,000 at December 31, 1991	12,006,422	12,562,855
Accrued interest receivable	3,058,026	2,907,186
Premises and equipment, net	2,895,388	2,899,553
Other assets	488,568	424,225
TOTAL ASSETS	$291,132,849	$293,726,818
Liabilities and Stockholders' Equity		
Liabilities:		
Interest-bearing deposits	$250,505,614	$250,993,331
Noninterest-bearing deposits	8,262,917	8,027,681
Total deposits	258,768,331	259,021,012
Mortgage escrow deposits	2,070,554	2,133,090
Accrued interest payable	379,612	466,501
Other liabilities	1,247,451	3,889,751
TOTAL LIABILITIES	262,465,948	265,510,354
Commitments and Contingencies (Notes 7 and 8)		
Stockholders' Equity:		
Preferred stock, par value $.10 per share, 3,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, par value $.10 per share, 6,000,000 shares authorized, 2,307,187 shares issued and outstanding	230,718	230,718
Paid-in capital	22,498,778	22,498,778
Retained earnings	6,167,405	5,823,568
	28,896,901	28,553,064
Deferred compensation:		
Employee Stock Ownership Plan ("ESOP")	-	(96,600)
Management Recognition and Retention Plan ("MRP")	(210,000)	(240,000)
TOTAL STOCKHOLDERS' EQUITY	28,686,901	28,216,464
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$291,132,849	$293,726,818

See notes to consolidated financial statements

Washington Bancorp, Inc. & Subsidiary
Consolidated Statements Of Operations
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	1992	1991	1992	1991
Interest income:				
Loans, including fees	$ 4,705,014	$ 5,629,222	$ 9,330,705	$11,557,528
U.S. Treasury obligations	866,275	461,343	1,788,425	773,993
Federal funds sold	61,562	140,683	185,854	211,917
Dividends	46,996	58,488	73,206	102,088
Due from banks	8,621	-	23,110	-
Mortgage-backed securities	-	237,647	6,249	614,967
Other investment securities	-	460,611	-	1,166,114
Total interest income	5,688,468	6,987,994	11,407,549	14,426,607
Interest expense:				
Deposits	3,136,261	4,447,068	6,634,340	8,981,178
Borrowed funds	118	583,417	1,350	1,201,617
Total interest expense	3,136,379	5,030,485	6,635,690	10,182,795
Net interest income	2,552,089	1,957,509	4,771,859	4,243,812
Provision for losses on loans	200,000	300,000	350,000	750,000
Net interest income after provision for losses on loans	2,352,089	1,657,509	4,421,859	3,493,812
Other income:				
Service charges on deposit accounts	46,431	44,687	92,720	79,932
Security gains, net	9,906	-	14,884	-
Gain on sale of loans	65,332	-	65,332	-
Other	64,654	93,855	129,876	153,037
Total other income	186,323	138,542	302,812	232,969
Other expenses:				
Salaries and employee benefits	955,514	1,032,097	1,840,469	1,961,717
Occupancy and equipment expenses, net	268,458	229,643	554,703	442,233
REO expense, net	144,756	363,903	364,164	652,839
Federal Deposit Insurance Corporation ("FDIC") assessment	149,844	128,514	299,689	271,014
Security losses, net	-	7,314	-	5,992
Other	722,204	574,045	1,316,809	1,230,252
Total other expenses	2,240,776	2,335,516	4,375,834	4,564,047
Income/(loss) before income tax expense and extraordinary item	297,636	(539,465)	348,837	(837,266)
Income tax expense	62,000	-	80,000	-
Income/(loss) before extraordinary item	235,636	(539,465)	268,837	(837,266)
Extraordinary item:				
Utilization of net operating loss ("NOL") carryforward	57,000	-	75,000	-
NET INCOME/(LOSS)	$ 292,636	$ (539,465)	$ 343,837	$ (837,266)
Income/(loss) per share:				
Income/(loss) before extraordinary item	$ 0.10	$ (0.24)	$ 0.12	$ (0.37)
Extraordinary item	0.03	-	0.03	-
NET INCOME/(LOSS)	$ 0.13	$ (0.24)	$ 0.15	$ (0.37)

See notes to consolidated financial statements

Washington Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows
(unaudited)

	Six months ended June 30, 1992	Six months ended June 30, 1991
Cash Flows from Operating Activities:		
Interest received	$ 11,265,966	$ 14,647,326
Loan fees received	241,259	211,090
Service charges on deposits received	92,720	98,744
Miscellaneous other income received	129,876	153,268
Income tax refund received	-	100,000
Interest paid	(6,922,579)	(10,370,869)
Cash paid to employees and for other expenses	(4,090,550)	(4,248,387)
Net cash provided by operating activities	716,692	591,172
Cash Flows from Investing Activities:		
Proceeds from maturity of term federal funds sold	9,000,000	-
Proceeds from sales of investment securities	13,851,675	14,960,449
Proceeds from maturities of investment securities	-	32,668,000
Purchase of investment securities	(17,021,250)	(41,619,407)
Principal collected on mortgage-backed securities	-	595,424
Proceeds from sales of mortgage-backed securities	1,533,314	15,511,763
Proceeds from sales of mortgages held for resale	6,315,444	-
Purchase of loans	(10,086,000)	-
Net increase in loans	(8,341,955)	(8,732,202)
Recoveries on loans charged-off	169,271	91,085
Capital expenditures	(205,299)	(168,931)
Proceeds from sales of REO, net of financed sales and closing costs	371,903	736,480
Net cash (used in)/provided by investing activities	(4,412,897)	14,042,661
Cash Flows from Financing Activities:		
Net increase in savings and transaction accounts	11,906,190	4,223,019
Net decrease in certificates of deposit	(12,178,871)	(11,441,244)
Repayment of advances from FHLB	-	(2,600,000)
Net (decrease)/increase in mortgage escrow deposits	(62,536)	118,693
Net cash used in financing activities	(335,217)	(9,699,532)
Net Increase/(Decrease) in Cash and Cash Equivalents	(4,031,422)	4,934,301
Cash and Cash Equivalents, beginning of period	13,970,190	7,098,782
Cash and Cash Equivalents, end of period	$ 9,938,768	$ 12,033,083

See notes to consolidated financial statements

Washington Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows (continued)
(unaudited)

	Six months ended June 30, 1992	Six months ended June 30, 1991
Reconciliation of Net Income/(Loss) to Net Cash Provided by Operating Activities:		
Net income/(loss)	$ 343,837	$ (837,266)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation	209,464	157,941
Provision for losses on loans and REO	529,543	1,146,115
Recognition of deferred compensation expense	126,600	174,900
Deferred loan fees	(72,914)	(126,549)
Gain on sales of investment and mortgage-backed securities	(48,698)	(109,453)
Loss on sales of investment and mortgage-backed securities	33,814	115,445
Gain on sale of mortgages	(65,332)	-
Gain on sales of REO	(310,802)	(139,754)
Loss on sales of REO	32,122	80,855
Discount earned, net of premium amortization and deferred income	323,430	(16,671)
Changes in operating assets and liabilities:		
Decrease in income tax refund receivable	-	100,000
(Increase)/decrease in accrued interest receivable	(150,840)	575,029
(Increase)/decrease in other assets	(64,343)	248,037
Decrease in accrued interest payable	(286,889)	(169,031)
Increase/(decrease) in other liabilities	117,700	(608,426)
Net cash provided by operating activities	$ 716,692	$ 591,172
Supplemental Schedule of Noncash Investing and Financing Activities:		
Transfer of loans to REO, (net of financed sales of REO)	$ (291,553)	$ 1,323,832
Transfer of loans to mortgages held for resale, net	$ 10,729,065	$ -
Exchange of loans for mortgage-backed securities	$ -	$ 1,005,102

See notes to consolidated financial statements

WASHINGTON BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 1992

Note 1. The consolidated interim financial statements included herein have been prepared by Washington Bancorp, Inc.(the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 1991. Certain information and note disclosure normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures being made are adequate to make the information presented not misleading. In the opinion of management, these consolidated financial statements reflect all adjustments(all of which are of a normal recurring nature) which are necessary for a fair statement of results for the interim periods. The results for the interim periods are not necessarily indicative of results to be expected for the entire year.

Note 2. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Washington Savings Bank (the "Bank"). All material intercompany balances and transactions have been eliminated.

Note 3. Income/(loss) before extraordinary item per share and net income/(loss) per share were computed by dividing net income/(loss) for each period by the weighted average number of shares outstanding (which excludes unvested shares of the Management Recognition Plan for all periods) of 2,264,173 and 2,264,119 for the periods ended June 30, 1992 and 1991, respectively.

Note 4. During the first half of 1992, the Company recorded an extraordinary item in the amount of $75,000 by utilizing net operating loss carryforwards for financial reporting purposes to offset tax expense of an almost equal amount.

Note 5. Mortgages intended for sale are carried at the lower of aggregate cost or market. Gains and losses are recognized when mortgages intended for sale are sold by the specific identification method. Net unrealized losses, if any, are provided for by a charge to operations.

Note 6. The Bank's primary market area for lending encompasses Hudson and Bergen Counties, New Jersey. The following tables set forth the composition of the Bank's loans, nonperforming loans, REO, and allowances for losses on loans and REO as of the periods indicated:

	June 30, 1992 (Unaudited)	December 31, 1991
LOANS		
Real Estate:		
1-4 family	$139,030,104	$135,133,491
Multi-family/Commercial	57,064,194	55,940,022
Construction	2,247,500	1,449,287
Total real estate loans	198,341,798	192,522,800
Commercial/financial	4,220,733	4,080,755
Consumer and other loans	2,092,130	3,175,820
Total loans	204,654,661	199,779,375
Less: Unearned income	104,902	185,752
Deferred loan fees	1,143,583	1,096,497
Allowance for losses	2,841,000	2,989,000
Loans, net	$200,565,176	$195,508,126
NONPERFORMING LOANS		
Real estate loans:		
1-4 family	$ 8,717,761	$ 10,436,523
Other	3,657,000	4,139,110
Total real estate loans	12,374,761	14,575,633
Commercial/financial	658,610	514,591
Consumer and other loans	269,847	931,370
Total nonaccrual loans	13,303,218	16,021,594
Troubled debt restructurings:		
Commercial/financial	566,788	611,788
Total nonperforming loans	$ 13,870,006	$ 16,633,382
REAL ESTATE OWNED		
Acquired by foreclosure or deed in lieu of foreclosure	$ 3,520,826	$ 4,956,011
Loans foreclosed in-substance	9,728,596	8,934,844
Total REO	13,249,422	13,890,855
Less allowance for losses	1,243,000	1,328,000
REO, net	$ 12,006,422	$ 12,562,855

ALLOWANCES FOR LOSSES	Loans	REO	Total
Balance,December 31, 1991	$2,989,000	$1,328,000	$4,317,000
Provision for losses	350,000	179,543	529,543
Recoveries	169,271	-	169,271
Losses charged-off	667,271	264,543	931,814
Balance, June 30, 1992 (unaudited)	$2,841,000	$1,243,000	$4,084,000

Note 7. In the normal course of business, the Bank is a party to financial instruments with off-balance-sheet risk which are properly not recorded in the consolidated financial statements. At June 30, 1992, the Bank's exposure to credit loss in the event of nonperformance by the potential borrowers is represented by the contractual amount of the financial instruments as follows:

	Contractual Amount	Interest Rates	Expiration Dates Through
Loan commitments-variable........	$4,358,000	5.8%-9.5%	September 1992
Loan commitments-fixed...........	$1,648,000	7.0%-10.5%	September 1992
Lines of credit-variable........	$2,233,000	8.0%-11.0%	November 1993
Undisbursed construction loans-fixed.....	$337,500	7.5%-10.0%	October 1992

Note 8. The Bank received a subpoena dated August 1, 1990, issued upon the application of the United States Attorney for the District of New Jersey. The subpoena seeks documentation regarding certain individuals (none of whom are current officers or directors of the Company or the Bank) in connection with a Grand Jury investigation into certain possible violations of banking provisions of the United States Code. The Bank has complied with the subpoena's request to furnish documentation. The Bank has not, to date, received any affirmative indication that it would be a defendant in any criminal proceeding arising out of the investigation. However, at this time, legal counsel for the Bank is unable to determine the effect, if any, of the ultimate outcome of the investigation as it relates to the Bank. Management does not believe the investigation will have any material adverse impact on the financial condition of the Bank; however, given the fluctuations in results of operations during recent periods, management cannot predict the impact, if any, on the Bank's results of operations.

In September 1991, a complaint was filed by a former officer in New Jersey Superior Court against the Company, the Bank and certain directors and officers seeking unspecified damages relating to the termination of such officer's employment. The Company and individual defendants have filed an answer and have asserted certain counterclaims. In April 1992, a complaint was filed in the Law Division of the New Jersey Superior Court against the Company and the Bank seeking unspecified damages and alleging violations of state securities laws, certain banking laws and state common law. Management believes that defendants have meritorious defenses in both of these actions and intends to vigorously defend these actions. Management believes that these lawsuits will not have a material adverse impact on the financial condition of the Company or the Bank; however, given the fluctuations in results of operations during recent periods, management cannot predit the impact, if any, on the Company's or the Bank's results of operations.

Note 9. On August 13, 1991, the Company signed a Memorandum of Understanding (the "Company-MOU") with the Federal Reserve Bank of New York (the "FRB") in connection with an examination of the Company as of December 31, 1990. The Company-MOU requires the Company to provide the FRB with certain financial and operational information, restricts dividend payments, and obligates the Company to provide the FRB with notice prior to making large cash expenditures outside the ordinary course of business, or making additions to senior executive management or the board of directors. The Company-MOU also states that the Company should not consider expansion of its activities at the present time. In the opinion of management, the Company is in compliance with the Company-MOU.

On October 8, 1991, the Bank signed a Memorandum of Understanding (the "Bank-MOU") with the Federal Deposit Insurance Corporation and the State of New Jersey Department of Banking (the "Regulators") in connection with an examination of the Bank as of December 31, 1990. The Bank-MOU relates primarily to loan policies as well as the regular monitoring of the level of classified assets and the adequacy of the allowance for losses on loans. The Bank-MOU also requires the Bank to provide the Regulators with certain financial and operational information, restricts dividend payments, and requires the Bank to maintain a Tier I leverage capital ratio of at least 7.0%. In the opinion of management, the Bank is in compliance with the Bank-MOU.

Note 10. In 1987, the FASB issued Statement of Financial Accounting Standard No. 96 "Accounting for Income Taxes"("SFAS 96") the effective date of which was subsequently delayed in consideration of proposed revisions to SFAS 96. In February 1992, the FASB issued Statement No. 109 "Accounting for Income Taxes"("SFAS 109") which supersedes SFAS 96. The Company currently accounts for income taxes under Accounting Principles Board Opinion No. 11 ("APB 11") having elected not to adopt SFAS 96 prior to its required effective date. SFAS 109 requires an asset and liability approach, the objective of which is to establish deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. SFAS 109 is effective for fiscal years beginning after December 15, 1992 and earlier adoption is permitted. The Federal Deposit Insurance Corporation("FDIC") has requested FDIC-supervised banks to not adopt SFAS 109 for regulatory reporting purposes until the FDIC has had an opportunity to review the impact of SFAS 109 on capital adequacy and capital ratios. For financial reporting purposes, the Company will wait until further guidance is received from the FDIC before deciding whether to adopt early in 1992 or to adopt in 1993 as required. The effect of initially applying SFAS 109 shall be reported as a cumulative effect of a change in accounting principle in the results of operations. The Company does not expect any adverse impact on its financial position or results of operations when SFAS 109 is implemented.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A. General

During the second quarter of 1992, Washington Savings Bank (the "Bank") sold $6 million of the $16 million of 1-4 family mortgages held for sale at the end of the first quarter, recognizing a gain of $65,000. Of the remaining $10 million, $4.5 million were sold in July at approximately par and $5.5 million were reclassified to mortgage loans at their carrying value. Such loans are no longer held for sale due to anticipated payoffs as a result of the Federal Reserve's cut in the discount rate on July 2, 1992.

The funds obtained from the sale of mortgage loans and some investments as well as funds obtained from a reduction of federal funds sold enabled the Bank to originate $16 million of new loans during the second quarter, up from $14.5 million during the same period of 1991. Almost $2 million of the increase in originations was caused by financed sales of real estate owned ("REO"). As a result of the sales of REO and $500,000 of loans charged-off, nonperforming assets decreased to $25.8 million at June 30, 1992 from $28.3 million at March 31, 1992. In total, the allowance for losses on loans, when coupled with the allowance for losses on REO, represented 15% of nonperforming assets as of June 30, 1992 and March 31, 1992.

With regards to liabilities, interest rates paid by the Bank continued to decrease. In April, the passbook rate was decreased 50 basis points to 4.0% in connection with reductions in rates offered on other deposit instruments. (In August, the passbook rate further decreased to 3.5%.) As a result, the Bank continues to experience a trend similar to the latter portion of 1991 where, as higher paying certificates of deposit matured, customers reinvested the proceeds in regular savings accounts. Management continues to believe that depositors are "temporarily" placing their funds in regular savings accounts while waiting to see what happens to interest rates.

Net interest income increased $600 thousand, or 30%, to $2.6 million for the quarter ended June 30, 1992 from $2.0 million for the quarter ended June 30, 1991 partially due to a decrease in nonperforming assets during the period from June 30, 1991 to June 30, 1992, and partially due to a greater decline in the cost of "borrowing" funds from depositors vis-a-vis the decline in interest rates earned on loans to mortgage customers. In addition to the improvement in net interest income, the financial results of the Bank, and therefore Washington Bancorp, Inc. (the "Company"), continues to be highly dependent on the amount of the provision for losses on loans and REO. Approximately a third of the improvement in second quarter results of operations is attributable to a $251,000 reduction in the provision for losses on loans and REO to $286,000 for the three months ended June 30, 1992 from $537,000 for the corresponding period of 1991. For more information regarding results of operations, refer to "Results of Operations" for the three and six months ended June 30, 1992 and 1991 below.

As a result of the aforementioned Federal Reserve cut in the discount rate, the Bank restructured its securities portfolio during July 1992. In the process, the weighted average maturity declined from 47 months to 39 months.

B. Results of Operations for the three months ended June 30, 1992 and 1991

Net income/loss:

The Company's net income for the quarter ended June 30, 1992 was $293,000, or $.13 per share, as compared with a net loss of $540,000, or $.24 per share, for the quarter ended June 30, 1991. The Company's net income before extraordinary item for the quarter ended June 30, 1992 was $236,000, or $.10 per share, as compared with a net loss before extraordinary item of $540,000, or $.24 per share, for the quarter ended June 30, 1991. The improvement in net income of $833,000 and net income before extraordinary item of $776,000 was primarily the result of an improvement of $594,000 in net interest income; a $219,000 decrease in REO expense, net, including a decrease in the provision for losses on REO of $151,000; and a $100,000 decrease in the provision for losses on loans. In addition, the Company utilized a net operating loss carryforward of $57,000, or $.03 per share, to offset tax expense of an almost equal amount for the second quarter of 1992. Such item has been accounted for as an extraordinary item.

Net interest income:

Net interest income increased $594,000, or 30%, for the three months ended June 30, 1992 as compared with the corresponding period last year. The increase from 1991 was partially due to a decrease in nonperforming assets from June 30, 1991 to June 30, 1992 and partially due to a greater decline in the cost of "borrowing" funds from depositors vis-a-vis the decline in interest rates earned on loans to mortgage customers. As a result, the interest rate spread and the net yield on interest-earning assets increased to 3.25% and 3.71%, respectively, for the three months ended June 30, 1992 from 2.07% and 2.55%, respectively, for the three months ended June 30, 1991.

Total interest income decreased $1.3 million, or 19%, due to a reduction in the volume of interest-earning assets, a change in the mix of interest-earning assets and lower yields earned on all interest-earning asset categories. The average balance of interest-earning assets decreased to $275.0 million from $307.5 million due primarily to 1-4 family performing mortgage loan sales during the fourth quarter of 1991, and, secondarily, to sales of mortgage-backed securities throughout 1991. The mix of interest-earning assets negatively impacted interest income as higher yielding assets, such as 1-4 family performing loans and mortgage-backed securities, were sold in 1991 and reinvested in lower yielding assets, such as investment securities. The change in the mix of interest-earning assets improved the loan-to-deposits ratio and was effected in conjunction with the restructuring of the balance sheet during 1991. Lower yields were a result of the declining rate environment since the beginning of 1991.

Total interest expense decreased $1.9 million, or 38%, due to lower rates paid on all interest-bearing liabilities, an improvement in the liability mix and a lower total average balance of interest-bearing liabilities. Lower rates paid were a result of the declining rate environment since the beginning of 1991. The lower total average balance of interest-bearing liabilities was due to repayments of FHLB and ESOP borrowings during 1991 and a lower average balance of certificates of deposit accounts due to withdrawals, offset in part by an increase in the average balance of regular savings accounts. The Bank has continued to experience the same trend that began in 1991 whereby certificate of deposit withdrawals are "temporarily" placed in regular savings accounts. Management believes that depositors are investing in liquid assets since higher-yielding alternative investment options are limited.

(Refer to rate/volume analysis and yield/cost analysis on pages 21 and 22, respectively, for further detail.)

Provision for losses on loans:

The provision for losses on loans was $200,000 for the three months ended June 30, 1992 as compared to $300,000 for the corresponding period last year. The lower amount of the provision for losses on loans reflects management's assessment of lower risk in the portfolio due in part to a larger percentage of nonperforming loans consisting of owner-occupied 1-4 family real estate loans at June 30, 1992 (63%) as compared to the corresponding date in 1991 (49%), as well as a decrease in nonperforming loans of $5.9 million, or 30%, to $13.9 million as of June 30, 1992 from $19.8 million as of June 30, 1991. In the opinion of management, owner-occupied 1-4 family real estate loans have lower risk than multi-family/commercial loans because such loans represent the borrower's primary residence as opposed to an investment property, are more "seasoned" loans which typically provide greaty equity positions, and are generally smaller balance loans which are diversified amongst a greater number of borrowers (hence credit risk is less concentrated).

Other income:

Total other income increased $48,000, or 35%, due to a gain on sale of loans of $65,000 and net security gains of $10,000, both of which did not occur in 1991, offset by a $29,000 decrease in other income.

Other expenses:

Total other expenses decreased $95,000, or 4%, for the three months ended June 30, 1992 as compared with the corresponding period last year. Contributing to the improvement in other expenses were a decrease of $219,000, or 60%, in REO expense (net) as described in the table below and a $76,000, or 7%, decrease in salaries and employee benefits due to lower costs for some employee benefits. Offsetting such improvements was an increase in other expenses of $148,000, or 26%, due primarily to legal matters. The components of REO expense, net are as follows:

	for the three months ended June 30,	
	1992	1991
REO expense, net:		
Carrying costs	$178,000	$210,000
Provision for losses	86,000	238,000
Gain on sale, net	(119,000)	(84,000)
Total REO expense, net	$145,000	$364,000

Income tax expense and extraordinary item:

The Company recorded income tax expense in the amount of $62,000 for the three months ended June 30, 1992. Partially offsetting such amount was the utilization of part of the 1991 net operating loss carryforward. For the quarter ended June 30, 1991, the Company did not record any income tax benefit relating to such period's loss since the Company was anticipating a net operating loss carryforward position for 1991.

During the second quarter of 1992, the Company determined that a possible overassessment of previously paid federal income tax existed. A refund request made by the Company on June 8, 1992 is subject to review and approval by the Internal Revenue Service. No assurances can be made as to the merits of the refund or the amount of the refund until this review is completed. Due to this uncertainty, the Company has not accrued any amount.

C. Results of Operations for the six months ended June 30, 1992 and 1991

Net income/loss:

The Company's net income for the six months ended June 30, 1992 was $344,000, or $.15 per share, as compared with a net loss of $837,000, or $.37 per share, for the six months ended June 30, 1991. The Company's net income before extraordinary item for the six months ended June 30, 1992 was $269,000, or $.12 per share, as compared with a net loss before extraordinary item of $837,000, or $.37 per share, for the six months ended June 30, 1991. The improvement in net income and net income before extraordinary item of $1.1 million was primarily the result of an improvement of $528,000 in net interest income, a $400,000 decrease in the provision for losses on loans and a $289,000 decrease in REO expense, net, including a decrease in provision for losses on REO of $217,000. In addition, the Company utilized a net operating loss carryforward of $75,000, or $.03 per share, to offset tax expense of an almost equal amount for the first half of 1992. Such item has been accounted for as an extraordinary item.

Net interest income:

Net interest income increased $528,000, or 12%, for the six months ended June 30, 1992 as compared with the corresponding period last year. The increase from 1991 was partially due to a decrease in nonperforming assets from June 30, 1991 to June 30, 1992 and partially due to a greater decline in the cost of "borrowing" funds from depositors vis-a-vis the decline in interest rates earned on loans to mortgage customers. As a result, the interest rate spread and net yield on interest-earning assets increased to 3.00% and 3.47%, respectively, for the six months ended June 30, 1992 from 2.20% and 2.74%, respectively, for the six months ended June 30, 1991.

Total interest income decreased $3.0 million, or 21%, due to a reduction in the volume of interest-earning assets, a change in the mix of interest-earning assets and lower yields earned on all interest-earning asset categories. The average balance of interest-earning assets decreased to $275.0 million from $309.5 million due primarily to 1-4 family performing mortgage loan sales during the fourth quarter of 1991, and secondarily, to sales of mortgage-backed securities throughout 1991. The mix of interest-earning assets negatively impacted interest income as higher yielding assets, such as 1-4 family performing loans and mortgage-backed securities, were sold in 1991 and reinvested in lower yielding assets, such as investment securities and federal funds sold. The change in the mix of interest-earning assets improved the loan-to-deposits ratio and was effected in conjunction with the restructuring of the balance sheet during 1991. Lower yields were a result of the declining rate environment since the beginning of 1991.

Total interest expense decreased $3.5 million, or 34%, due to lower rates paid on all interest-bearing liabilities, a change in the liability mix and a lower total average balance of interest-bearing liabilities. Lower rates paid were a result of the declining rate environment since the beginning of 1991. The lower total average balance of interest-bearing liabilities was due to repayments of FHLB and ESOP borrowings during 1991 and a lower average balance of certificates of deposit accounts due to withdrawals, offset in part by an increase in the average balance of regular savings accounts. The Bank has continued to experience the same trend that began in 1991 whereby certificate of deposit withdrawals are "temporarily" placed in regular savings accounts.

(Refer to rate/volume analysis and yield/cost analysis on pages 21 and 23, respectively, for further detail.)

Provision for losses on loans:

The provision for losses on loans was $350,000 for the six months ended June 30, 1992 as compared to $750,000 for the corresponding period last year. The lower amount of the provision for losses on loans reflects management's assessment of lower risk in the portfolio due in part to a larger percentage of nonperforming loans consisting of owner-occupied 1-4 family real estate loans at June 30, 1992 (63%) as compared to the corresponding date in 1991 (49%), as well as a decrease in nonperforming loans of $5.9 million, or 30%, to $13.9 million as of June 30, 1992 from $19.8 million as of June 30, 1991. In the opinion of management, owner-occupied 1-4 family real estate loans have lower risk than multi-family/commercial loans because such loans represent the borrower's primary residence as opposed to an investment property, are more "seasoned" loans which typically provide greaty equity positions, and are generally smaller balance loans which are diversified amongst a greater number of borrowers (hence credit risk is less concentrated).

Other income:

Total other income increased $70,000, or 30%, due primarily to a gain on sale of loans of $65,000.

Other expenses:

Total other expenses decreased $188,000, or 4%, for the six months ended June 30, 1992 as compared with the corresponding period last year. Contributing to the improvement in other expenses were a decrease of $289,000, or 44%, in REO expense (net) as described in the table below and a $122,000, or 6%, decrease in salaries and employee benefits due to lower costs for some employee benefits. Offsetting such improvements was an increase in occupancy expense, net of $113,000, or 26%, due primarily to recognizing costs for an anticipated branch closing during the third quarter of 1992 and an increase in other expenses of $87,000, or 7%, due primarily to legal matters. The components of REO expense, net are as follows:

	for the six months ended June 30,	
	1992	1991
REO expense, net:		
Carrying costs	$463,000	$316,000
Provision for losses	180,000	396,000
Gain on sale, net	(279,000)	(59,000)
Total REO expense, net	$364,000	$653,000

Income tax expense and extraordinary item:

The Company recorded income tax expense in the amount of $80,000 for the six months ended June 30, 1992. Partially offsetting such amount was the utilization of part of the 1991 net operating loss carryforward. For the quarter ended June 30, 1991, the Company did not record any income tax benefit relating to such period's loss since the Company was anticipating a net operating loss carryforward position for 1991.

D. Liquidity and Capital Resources

Liquidity is the ability to meet current cash needs in order to fund loans and deposit withdrawals, make debt payments, and cover operating expenses. The FDIC defines a bank's liquidity ratio as the sum of net cash, short-term investments and marketable assets divided by the sum of net deposits and short-term liabilities. The Bank's liquidity ratio at June 30, 1992 and December 31, 1991, as calculated according to the FDIC definition, was 25% and 29%, respectively. The decrease in the liquidity ratio was primarily due to a repurchase of $10.5 million of loans in the first quarter of 1992 (refer to "General" section of the Company's March 31, 1992 first quarter 10-Q for further information). The amount of assets used in the liquidity ratio calculation was $65.9 and $77.9 million as of June 30, 1992 and December 31, 1991, respectively.

In addition to the liquidity ratio, liquidity can also be described in terms of cash and cash equivalents. Cash and cash equivalents are cash on hand, amounts due from banks and Federal funds sold (generally due within a one-week period). The Company's consolidated cash and cash equivalents decreased $4.0 million during the six months ended June 30, 1992, primarily due to a $2.5 million payment during the first quarter of 1992 (refer to "General" section of the Comoany's March 31, 1992 first quarter 10-Q for further information) and the funding of new loan originations.

As of June 30, 1992 and December 31, 1991, the Company held $1.0 million of cash and cash equivalents at the holding company level. In light of the restrictions imposed by the Company-MOU (refer to footnote 9 of this 10-Q for further information) which effectively precludes the current use of such funds for dividends, and in light of the limited activities of the holding company, management does not regard the amount of such cash and cash equivalents to be significant from a liquidity perspective except in terms of a potential source of future contributions to the Bank.

Bank regulators currently require banking institutions such as the Company and the Bank to meet several capital ratios. Under risk-based capital guidelines, the Company and the Bank must classify their assets and certain off-balance-sheet activities into categories, and maintain specified levels of capital for each category. The least capital is required for the category deemed by the regulators to have the least risk, and the most capital is required for the category deemed by the regulators to have the greatest risk. The regulation has a three year phase-in period which currently requires the Bank to maintain a total capital to risk-weighted assets ratio of 7.25 percent and a core capital to risk-weighted assets ratio of 3.625 percent. By December 31, 1992, the Bank must have a total risk-based capital ratio of 8 percent and a core risk-based capital ratio of 4 percent. For purposes of the risk-based capital guidelines, (i) core capital (known as Tier 1 capital) consists of common equity and qualifying perpetual preferred stock, less goodwill and (ii) total capital consists of core capital plus mandatory convertible debt securities, qualifying subordinated debt, other preferred stock and a portion of the allowance for losses on loans.

In addition, minimum leverage ratio guidelines must be met. These guidelines provide for a minimum leverage ratio (i.e., core capital to total assets) of 3 percent for bank holding companies that meet certain specified criteria, including that they have the highest regulatory rating. All other holding companies will be required to maintain a leverage ratio of 3 percent plus an additional cushion of at least 100 to 200 basis points. Pursuant to the Bank-MOU (refer to footnote 9 of the footnotes of this 10-Q for further information), the Bank has agreed with the FDIC and the State of New Jersey Department of Banking to maintain a leverage capital ratio of 7%.

As of June 30, 1992, the Company's and the Bank's capital ratios, calculated on the basis of the final rules which will become effective December 31, 1992, were as follows:

	June 30, 1992		
Capital ratios:	Required	Company	Bank
Leverage	7.00%	9.84%	9.56%
Core risk-based............	4.00	18.01	17.49
Total risk-based...........	8.00	19.26	18.74

Under the recently enacted FDIC Improvement Act of 1991, federal banking agencies are required to establish certain minimum levels of capital which accord with guidelines established under that Act. These levels may increase minimum capital guidelines currently applicable to the Company and the Bank.

Washington Bancorp, Inc. & Subsidiary
Rate/Volume Analysis
(unaudited)

The Rate/Volume Analysis reflects the extent to which changes in interest rates and changes in the volume of interest-earnings assets and interest-bearing liabilities have affected the Bank's interest income and interest expense during the periods presented. Changes attributable to both volume and rate have been allocated proportionately.

	Three months ended June 30, 1992 compared to 1991			For six months ended June 30, 1992 compared to 1991		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Net	Volume	Rate	Net
	(in Thousands)			(in Thousands)		
Interest Income:						
Loans - mortgage (1)	$ (580)	$ (235)	$ (815)	$ (1,399)	$ (582)	$ (1,981)
Loans - commercial and consumer (1)	(74)	(34)	(108)	(176)	(70)	(246)
Investment securities	164	(232)	(68)	340	(520)	(180)
Mortgage-backed securities	(238)	-	(238)	(609)	-	(609)
Federal funds sold	(44)	(35)	(79)	62	(88)	(26)
Deposits due from banks	8	-	8	23	-	23
Total interest income	(764)	(536)	(1,300)	(1,759)	(1,260)	(3,019)
Interest Expense:						
Regular savings	242	(367)	(125)	415	(542)	(127)
Market rate certificates	(463)	(667)	(1,130)	(902)	(1,223)	(2,125)
Checking and money market accounts	(10)	(46)	(56)	(11)	(83)	(94)
Advances from FHLB and ESOP debt	(583)	-	(583)	(1,200)	(1)	(1,201)
Total interest expense	(814)	(1,080)	(1,894)	(1,698)	(1,849)	(3,547)
Changes in net interest income	$ 50	$ 544	$ 594	$ (61)	$ 589	$ 528

(1) Includes nonperforming loans and excludes REO(in-substance and by deed).
Also, loan fees are included in interest income.

Washington Bancorp, Inc. & Subsidiary
Yield/Cost Analysis
(unaudited)

	Three months ended June 30, 1992			Three months ended June 30, 1991		
	Average Balance	Interest Income/ Expense	Average Yield/ Cost	Average Balance	Interest Income/ Expense	Average Yield/ Cost
			(Dollars in thousands)			
Assets:						
Interest-earning assets:						
Loans (1):						
Mortgage..................................	$ 202,868	$ 4,592	9.05%	$ 227,242	$ 5,407	9.52%
Commercial and consumer..................	6,499	116	7.06%	9,734	222	9.15%
Total loans.............................	209,367	4,706	8.99%	236,976	5,629	9.50%
Investment securities	57,856	912	6.31%	49,278	980	7.95%
Mortgage-backed securities..................	-	-	-	11,426	238	8.35%
Federal funds sold	6,807	62	3.66%	9,862	141	5.73%
Deposits due from banks	987	8	3.26%	-	-	-
Total interest-earning assets..........	275,017	5,688	8.27%	307,542	6,988	9.09%
Noninterest-earnings assets..................	16,662			19,314		
Total assets...........................	$ 291,679			$ 326,856		
Liabilities and Stockholders' Equity:						
Interest-bearing liabilities:						
Regular savings.............................	$ 96,656	$ 962	4.00%	$ 79,045	$ 1,087	5.52%
Market-rate certificates....................	143,462	2,068	5.80%	167,719	3,198	7.65%
Checking and money market accounts.........	11,335	106	3.76%	12,072	162	5.38%
Advances from FHLB and ESOP debt...........	-	-	-	28,447	583	8.22%
Total interest-bearing liabilities.........	251,453	3,136	5.02%	287,283	5,030	7.02%
Noninterest-bearing liabilities (2)..........	11,784			10,823		
Stockholders' equity...............	28,442			28,750		
Total liabilities and stockholders' equity.	$ 291,679			$ 326,856		
Net interest income/interest rate spread.....		$ 2,552	3.25%		$ 1,958	2.07%
Net earnings assets/net yield on interest-earnings assets............................	$ 23,564		3.71%	$ 20,259		2.55%
Ratio of interest-earning assets to interest-bearing liabilities.....			1.09 x			1.07 x

(1) Includes non-performing loans and excludes REO(in-substance and by deed). Also, loan fees are included in interest income.
(2) Includes regular checking and escrow accounts

Washington Bancorp, Inc. & Subsidiary
Yield/Cost Analysis
(unaudited)

	Six months ended June 30, 1992			Six months ended June 30, 1991		
	Average Balance	Interest Income/ Expense	Average Yield/ Cost	Average Balance	Interest Income/ Expense	Average Yield/ Cost
	(Dollars in thousands)					
Assets:						
Interest-earning assets:						
Loans (1):						
Mortgage..................................	$ 197,425	$ 9,083	9.20%	$ 226,002	$ 11,064	9.79%
Commercial and consumer..................	6,685	248	7.46%	10,369	494	9.61%
Total loans............................	204,110	9,331	9.14%	236,371	11,558	9.78%
Investment securities	59,549	1,862	6.25%	51,059	2,042	8.00%
Mortgage-backed securities.................	166	6	8.33%	14,787	615	8.39%
Federal funds sold	9,407	186	3.98%	7,279	212	5.87%
Deposits due from banks....................	1,510	23	3.06%	-	-	-
Total interest-earning assets...........	276,720	11,408	8.31%	309,496	14,427	9.32%
Noninterest-earnings assets..................	16,379			17,695		
Total assets...........................	$ 291,099			$ 327,191		
Liabilities and Stockholders' Equity:						
Interest-bearing liabilities:						
Regular savings............................	$ 93,734	$ 2,018	4.33%	$ 78,524	$ 2,145	5.51%
Market-rate certificates....................	145,050	4,383	6.04%	169,329	6,508	7.75%
Checking and money market accounts.........	11,592	234	4.06%	12,000	328	5.51%
Advances from FHLB and ESOP debt...........	38	1	5.29%	28,654	1,202	8.46%
Total interest-bearing liabilities.........	251,214	6,636	5.31%	288,507	10,183	7.12%
Noninterest-bearing liabilities (2)..........	11,498			9,806		
Stockholders' equity...............	28,387			28,878		
Total liabilities and stockholders' equity.	$ 291,099			$ 327,191		
Net interest income/interest rate spread.....		$ 4,772	3.00%		$ 4,244	2.20%
Net earnings assets/net yield on interest-earnings assets............................	$ 23,506		3.47%	$ 20,989		2.74%
Ratio of interest-earning assets to interest-bearing liabilities.....			1.09 x			1.07 x

(1) Includes non-performing loans and excludes REO(in-substance and by deed). Also, loan fees are included in interest income.
(2) Includes regular checking and escrow accounts

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding a subpoena dated August 1, 1990 served upon the Bank and a complaint filed in September 1991 against the Company and the Bank, see footnote 8 of the notes to consolidated financial statements of this 10-Q filing and see the Company's 1991 annual report on Form 10-K. For information regarding a complaint served upon the Company and the Bank in April 1992, see footnote 8 of the notes to consolidated financial statements of this 10-Q filing.

Item 2. Changes in Securities
None

Item 3. Defaults Upon Senior Securities
None

Item 4. Submission of Matters to a Vote of Security Holders

The results of the April 28, 1992 annual stockholders' meeting were reported in the Company's 10-Q filing for the quarter ended March 31, 1992.

Item 5. Other Information
None

Item 6. Exhibits and Reports on Form 8-K

1. Exhibits
   None

2. Reports on Form 8-K
   None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WASHINGTON BANCORP, INC.

Date: August 14, 1992

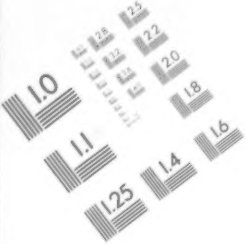
By: /s/ Theodore J. Doll

Theodore J. Doll
President and Chief
Operating Officer

Date: August 14, 1992

By: /s/ Thomas S. Bingham

Thomas S. Bingham
Chief Financial and
Accounting Officer



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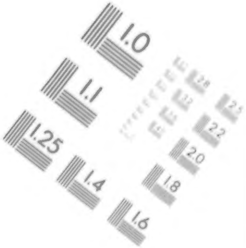

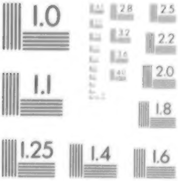
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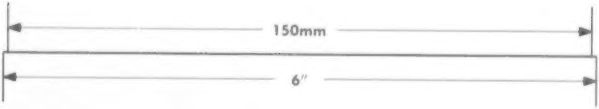

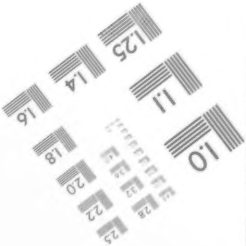

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